Investment Policy Implementation Document
Marubeni UK Pension & Life Assurance Fund

30 August 2019

1. Introduction

This Investment Policy Implementation Document ("IPID") for the Marubeni UK Pension & Life Assurance Fund (the "Fund") sets out details of the Fund's investment arrangements, based on the principles set out in its Statement of Investment Principles ("SIP") dated July 2019.

The IPID should be read in conjunction with the SIP.

The IPID has been prepared by the Trustees of the Fund, and the Trustees are responsible for ensuring it reflects the current investment arrangements.

2. Investment strategy

The Fund's investment strategy, as described in the SIP, along with the investment managers appointed to implement the strategy are set out below.

Asset class	Strategic allocation	Allocation ranges	Investment managers
Global equities	40%	+10% / -20%	BlackRock
LDI Funds	40%	+10% / -10%	BlackRock
Cash	0%	+20 / -0%	BlackRock
Multi-Asset Credit	10%	+10% / -5%	M&G
Diversified Growth Funds	10%	+10% / -5%	Baillie Gifford
Total	100%		

Details of the investment managers, their objectives, investment guidelines and custody arrangements are set out in the following Sections.

The Trustees will manage the investment strategy within the allocation ranges set out in the table, to allow flexibility for rebalancing and relatively small tactical positions to be taken to mitigate prevailing risks and take opportunities.

3. Global Equity – BlackRock

The Fund invests in equities through pooled funds called the Aquila Life MSCI World Fund and the Aquila Life MSCI World Fund Hedged. The objective of these funds is to track the MSCI World Net Total Return Index and the MSCI World Net Total Return 95% hedged to GBP, respectively. The funds are priced daily. The funds are open ended and are unlisted.

4. Liability Driven Investment ("LDI") – BlackRock

The Fund invests in pooled LDI funds called the BlackRock LMF Funds. There are four BlackRock LMF Funds, characterised by the liabilities they are designed to match, namely: long and short-duration, both real and nominal. The Fund invests in two of these funds, the LMF Long Nominal Fund and LMF Long

Real LDI Fund. The objectives of these funds are to match movements in value of their target liability profiles due to changes in interest rates and inflation expectations by investing in a range of instruments such as swaps and gilts. The funds are priced daily. The funds are open ended and are unlisted.

5. Multi-Asset Credit – M&G

The Fund invests in multi-asset credit through a pooled fund called the M&G Total Return Credit Investment Fund. The stated investment objective of the fund is to seek to maximise total return, consistent with prudent investment management. M&G has stated that the formal performance target is LIBOR + 3-5% pa (before fees) over the investment cycle. The fund is priced daily. The fund is open ended and is unlisted.

6. Diversified Growth Fund – Baillie Gifford

The Fund invests in the Baillie Gifford Multi Asset Growth Fund. The objective of this fund is to obtain returns of UK Base Rate + 3.5% pa and volatility of less than 10% over a rolling 5-year period. The fund is priced daily. The fund is open-ended and is unlisted.

7. Custodian

The role of a custodian is to ensure safe keeping of the assets and facilitate all transactions in respect of the portfolios for which it provides custody. BNY Mellon provides custody services for the segregated Liability Driven Investment mandate and the passive global equities managed by BlackRock, and the Multi Asset Growth Fund managed by Baillie Gifford. Brown Brothers Harriman provides custody services for the Multi-Asset Credit fund managed by M&G.

8. Additional Voluntary Contributions

The Trustees have made available the following investment options:

- With profits funds managed by Equitable Life Assurance Society (closed to new monies); and
- Unit linked funds managed by Aviva Life Services UK Limited.

IPID signed for and on behalf of the Trustees of the Marubeni UK Pension & Life Assurance Fund:

Signed: ____________ **Date:** 9.9.19

Signed: ____________ **Date:** 13/9/19

Signed: ____________ **Date:** 13/9/19

Signed: ____________ **Date:** 19/9/19

Signed: Richard Gardner **Date:** 25/9/19

Statement of Investment Principles
Marubeni UK Pension & Life Assurance Fund

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Marubeni UK Pension & Life Assurance Fund ("the Trustees") on various matters governing decisions about the investments of the Marubeni UK Pension & Life Assurance Fund (the "Fund"), a Defined Benefit ("DB") Scheme. This SIP replaces the previous SIP dated 1 July 2007. This document should be read in conjunction with the Fund's latest Investment Policy Implementation Document ("IPID"), which contains details of the Fund's investments.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) and the Pension Regulator's guidance for defined benefit pension schemes (March 2017).

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Fund's investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification given the circumstances of the Fund and the principles contained in this SIP. The Trustees have consulted with Marubeni Europe plc and other participating employers as required (the "Company") in producing this SIP.

The Trustees will review this SIP from time to time and, with the help of their advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy and at least once every three years.

- **Appendix 1** sets out details of the Fund's investment governance structure, including the key responsibilities of the Trustees, investment advisers and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.
- **Appendix 2** sets out the Trustee's policy towards risk appetite, capacity, measurement and management.

2. Investment objectives

The primary objective is to ensure that the Fund should be able to meet benefit payments as they fall due. In addition to this primary objective, the Trustees have additional objectives. These are as follows:

- "funding objective" – to ensure that the Fund is fully funded using assumptions that contain a margin for prudence. Where an actuarial valuation reveals a deficit on an ongoing basis, a recovery plan will be put in place which will take into account the financial covenant of the Company; and

- "stability objective" – to have due regard to the likely level and volatility of required contributions when setting the Fund's investment strategy.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the Company, reviewed the investment strategy in 2017 and 2018, taking into account the objectives described in Section 2 above.

The result of the review was that the Trustees agreed to adopt an investment strategy making use of global equities, liability-driven investment, multi-asset credit and a diversified growth fund. Details of the strategy, managers and allocations can be found in the latest Fund IPID.

The Trustees monitor the asset allocation from time to time. If material deviations from the strategic allocation occur the Trustees will consider with their advisers whether it is appropriate to rebalance the assets taking into account factors such as market conditions and anticipated future cash flows.

As the Fund matures over time, the Trustees expect to de-risk the investment strategy in line with the change in the liability profile of the Fund. This means that the investment strategy will gradually target a higher allocation to lower risk assets. The Trustees will continue to keep the Fund's investment strategy under review.

4. Considerations in setting the investment arrangements

When deciding how to invest the Fund's assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

The Trustees considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate. The key financial assumption made by the Trustees in determining the investment arrangements is that equity-type investments will, over the long term, outperform gilts by 5.0% pa. The other key assumptions for expected returns are as follows:

- Diversified Growth Funds ("DGF") will, over the long term, outperform gilts by 3.0% pa; and
- Multi Asset Credit ("MAC") will, over the long term, outperform gilts by 2.5% pa.

In setting the strategy the Trustees took into account:

- the Fund's investment objectives, including the target return required to meet the Trustees' investment objectives;
- the Fund's cash flow requirements in order to meet benefit payments in the near to medium term;
- the best interests of all members and beneficiaries;

- the circumstances of the Fund, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the Company's covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Fund's overall level of investment risk and the balance of individual asset risks are appropriate;
- any other considerations which the Trustees consider financially material over the time horizon that the Trustees consider is needed for the funding of future benefits by the investments of the Fund; and
- the Trustees' investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value;
- responsible investment in companies that manage well the risks and opportunities arising from financially material environmental, social and governance considerations, as well as engagement with companies as long-term owners, can reduce risk over time and may positively impact Fund returns; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

5. Implementation of the investment arrangements

Before investing in any manner, the Trustees obtain and consider proper written advice from their investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in the separate Investment Policy Implementation Document.

The Trustees have signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Fund's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

The Trustees and investment managers to whom discretion has been delegated exercise their powers to giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

6. Realisation of investments

The investment managers have discretion over the timing of realisation of investments of the Fund within the portfolios that they manage, and in considerations relating to the liquidity of investments.

When appropriate, the Trustees, on the administrators' recommendation, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. The Trustees' preference is for investments that are readily realisable, but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid. In general, the Trustees' policy is to use cash flows to rebalance the Fund's assets towards the strategic asset allocation.

7. Consideration of financially material and non-financial matters

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Fund and its members.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds but expects their investment managers to take account of financially material considerations (including climate change and other ESG considerations) as the managers consider appropriate. The Trustees delegate to their investment consultants oversight of its managers ESG practices.

The Trustees do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

8. Stewardship

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustees have limited influence over managers' stewardship practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

SIP signed for and on behalf of the Trustees of the Marubeni UK Pension & Life Assurance Fund:

Signed:		**Date:**	9.9.19
Signed:		**Date:**	13/9/19
Signed:		**Date:**	13/9/19
Signed:		**Date:**	19/9/19
Signed:	Richard Gardner	**Date:**	25/9/19

Investment governance, responsibilities, decision-making and fees

The Trustees have decided on the following division of responsibilities and decision-making for the Fund. This division is based upon the Trustees' understanding of the various legal requirements placed upon them, and their view that the division of responsibility allows for efficient operation and governance of the Fund overall. The Trustees' investment powers are set out within the Fund's governing documentation.

1. Trustees

In broad terms, the Trustees are responsible in respect of investment matters for:

- developing a mutual understanding of investment and risk issues with the Company;
- setting the investment strategy, in consultation with the Company;
- formulating a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change);
- formulating a policy on taking account of non-financial matters in the selection, retention and realisation of investments;
- setting the policy for rebalancing between asset classes;
- setting a policy on the exercise of rights (including voting rights) and undertaking engagement activities in respect of the investments;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- appointing (and, when necessary, dismissing) investment managers, investment advisers, actuary and other service providers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters, such as the Trustees' assessment of its effectiveness as a decision-making body, the policies regarding responsible ownership and how such responsibilities have been discharged;
- reviewing the investment policy as part of any review of the investment strategy;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the Company when reviewing the SIP.

2. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- taking account of financially material considerations as appropriate when managing the portfolios of assets;
- exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments
- providing the Trustees with regular information concerning the management and performance of their respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (whether there is a direct relationship between the custodian and the Trustees or not) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- advising on how material changes within the Fund's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers; and
- participating with the Trustees in reviews of this SIP.

4. Fee structures

The Trustees recognise that the provision of investment management and advisory services to the Fund results in a range of charges to be met, directly or indirectly, by deduction from the Fund's assets.

The Trustees have agreed Terms of Business with the Fund's actuarial and investment advisers, under which work undertaken is charged for by an agreed fixed fee or on a "time-cost" basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

The Trustees have appointed BNYM as a custodian in respect of the Fund's investments with BlackRock. BlackRock has confirmed that, under the "facilitated" arrangement with BNYM, it will cover the associated custody fees. Should the Trustees wish to appoint a different custodian, BlackRock will not pay the related fees. The custodian fees are calculated on a per transaction basis. The fee rates are believed to be consistent with the custodian's general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Fund. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

5. Performance assessment

The Trustees are satisfied, taking into account the external expertise available, that there are sufficient resources to support their investment responsibilities. The Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Fund's investments, investment providers and professional advisers from time to time. The Trustees will also periodically assess the effectiveness of their decision-making and investment governance processes and will decide how this may then be reported to members.

6. Working with the Company

When reviewing matters regarding the Fund's investment arrangements, such as the SIP, the Trustees seek to give due consideration to the Company's perspective. While the requirement to consult does not mean that the Trustees need to reach agreement with the Company, the Trustees believe that better outcomes will generally be achieved if the Trustees and Company work together collaboratively.

Policy towards risk

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustees are willing to bear within the Fund in order to meet their investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustees can tolerate deviation from their long term objectives before attainment of those objectives is seriously impaired. The Trustees' aim is to strike the right balance between risk appetite and risk capacity.

When assessing the risk appetite and risk capacity, the Trustees considered a range of qualitative and quantitative factors, including:

- the strength of the Company's covenant and how this may change in the near/medium future;
- the agreed journey plan and employers contributions;
- the Fund's long-term and shorter-term funding targets;
- the Fund's liability profile, its interest rate and inflation sensitivities and the extent to which these are hedged;
- the Fund's cash flow and target return requirements; and
- the level of expected return and expected level of risk (as measured by Value at Risk ("VaR")), now and as the strategy evolves.

The Fund's 1-year 95% Value at Risk of the strategic allocation was estimated to be £6.0m[1]. This means that there is estimated to be a 1 in 20 chance that the Fund's funding position will worsen by £6.0m or more, compared to the expected position, over a one year period. When deciding on the current investment strategy, the Trustees believed this level of risk to be appropriate given the Trustees' and Company's risk appetite and capacity, given the Fund's objectives.

2. Approach to managing and monitoring investment risks

The Trustees consider that there are a number of different types of investment risk that are important to manage and monitor. These include, but are not limited to:

2.1. Risk of inadequate returns

A key objective of the Trustees is that, over the long-term, the Fund should generate its target return so that it has adequate assets to meet its liabilities as they fall due. The Trustees therefore invest the assets of the Fund to produce

[1] More details, including the underlying assumptions, available on request.

a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Fund's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustees on a regular basis.

2.2. Risk from lack of diversification

This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially affect the Fund's assets. The Trustees believe that the Fund's assets are adequately diversified between different asset classes and within each asset class. This was a key consideration when determining the Fund's investment arrangements and is monitored by the Trustees on a regular basis.

2.3. Investment manager risk

This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual and will typically undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis to ensure they remain appropriate for their selected mandates.

2.4. Liquidity/marketability risk

This is the risk that the Fund is unable to realise assets to meet benefit cash flows as they fall due, or that the Fund will become a forced seller of assets in order to meet benefit payments. The Trustees are aware of the Fund's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Fund's investments and by investing in income-generating assets, where appropriate.

2.5. Environmental, social and governance (ESG) risks

Environmental, social and corporate governance (ESG) factors are sources of risk to the Fund's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf and, from time to time, review how these risks are being managed in practice.

2.6. Collateral adequacy risk

The Fund is invested in leveraged Liability Driven Investment ("LDI") arrangements to provide protection ("hedging") against adverse changes in interest rates and inflation expectations. The LDI manager may from time to time call for additional cash to be paid to the LDI portfolio in order to support a given level of leverage. Collateral adequacy risk is the risk that the Trustees, when requested to do so, will not be able to post additional cash to the LDI fund within the required timeframe. A potential consequence of this risk is that the Fund's interest rate and inflation hedging could be reduced and that the Fund's funding level could suffer subsequently as a result. In order to manage this risk, the Trustees ensure that the Fund has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice.

2.7. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund invests in pooled funds and is therefore directly exposed to credit risk in relation to the solvency of the provider of those policies. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operates and diversification of the Fund's investments across a number of pooled funds. The Trustees, with the help of their advisers, carry out due diligence checks prior to the appointment of any new investment manager or fund, and monitor for changes to the operating environment of the existing pooled funds.

The Fund is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds. The indirect exposure to credit risk arises from the Fund's investments in UK government bonds, corporate bonds, swaps and the DGF.

The managers of the pooled funds manage credit risk by having a diversified exposure to bond issuers (or exposure to bond issuers with very low probability of default, such as the UK government), conducting thorough research on the probability of default of those issuers, and having only a- limited exposure to bonds rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

2.8. Currency risk

As the Fund's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Fund's assets is to Sterling, the Fund is subject to currency risk because some of the Fund's investments are held in overseas markets. The Trustees consider the overseas currency exposure in the context of the overall investment strategy and believe that the currency exposure that exists diversifies the strategy and is appropriate.

All of the Fund's pooled funds are accessed via a Sterling share class. The Fund is not subject to direct currency risk. The Fund's assets that are exposed to indirect currency risk are the overseas equity funds, MAC and DGF funds.

The exposure to foreign currencies within the pooled funds may vary over time as the manager's change the underlying investments, but is not expected to be a material driver of returns over the longer term.

Decisions about the exposure to foreign currencies within pooled funds held are at the discretion of the appointed fund managers.

The Trustees currently hedge around 50% of the Fund's exposure to foreign currency from the overseas equity investments back to GBP.

2.9. Interest rate and inflation risk

Some of the Fund's assets are subject to interest rate risk. However, the overall interest rate exposure of the Fund's assets hedges part of the corresponding risks associated with the Fund's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustees believe that it is appropriate to have exposure to interest rate risk in this manner.

The MAC and DGF funds may have some sensitivity to changing interest rates, but this sensitivity will vary over time as the underlying investments change, and it is not expected to be a significant driver of returns due to the investment approaches of these funds.

The Trustees consider interest rate and inflation risks to be generally unrewarded investment risks. As a result, the Trustees currently hedge a proportion of the Fund's exposure to interest rate risk and of the Fund's exposure to inflation risk by investing in a mixture of leveraged LDI arrangements.

2.10. Other non-investment risks

The Trustees recognise that there are other non-investment risks faced by the Fund and takes these into consideration as far as practical in setting the Fund's investment arrangements as part of the Fund's Integrated Risk Management framework.

Examples include:

- longevity risk (the risk that members live, on average, longer than expected); and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring Company is unable to support the Fund as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Fund's funding position falls below what is considered an appropriate level. The Trustees regularly review progress towards the Fund's funding target, both in the longer-term as well as against short-term milestones, comparing the actual versus the expected funding level.

By understanding, considering and monitoring the key risks that contribute to funding risk, the Trustees believe that they have appropriately addressed and are positioned to manage this risk.