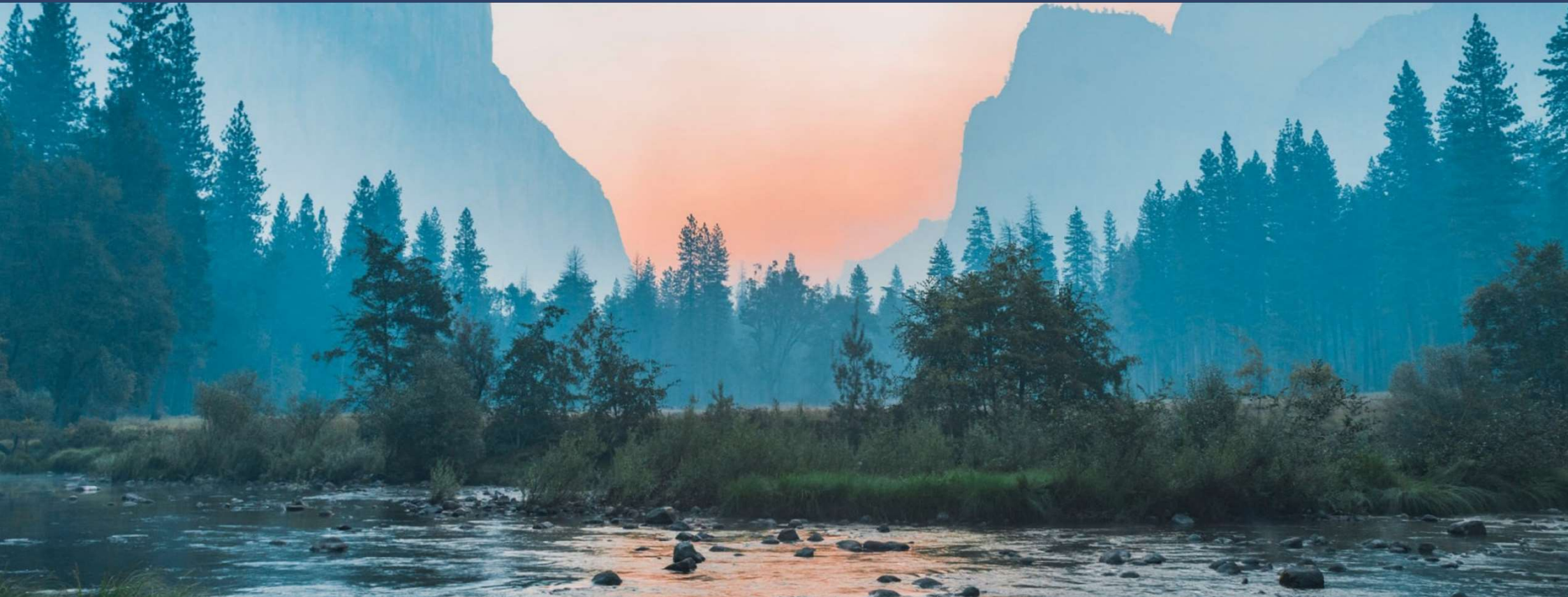


Statement of Investment Principles

For the Marubeni UK Pension & Life Assurance Fund

Effective from: May 2024



1. Introduction

This Statement of Investment Principles (“SIP”) has been produced by the Trustees of the Marubeni UK Pension & Life Assurance Fund.

It sets out our policies on various matters governing investment decisions for the Marubeni UK Pension & Life Assurance Fund (“the Fund”), which is a Defined Benefit (“DB”) Fund.

This SIP replaces the previous SIP dated September 2021.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Fund and the principles contained in this SIP.

We have consulted with Marubeni Europe plc and other participating employers as required (the “Company”) in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator’s guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Fund’s investments, but which are not required to be included in the SIP.

2. Investment objectives

The primary objective for the Fund is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the following objectives:

- “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;
- “stability objective” – to have due regard to the likely level and volatility of required contributions when setting the Fund’s investment strategy; and
- that the expected return on the Fund assets is maximised whilst managing and maintaining risk at an appropriate level.

3. Investment strategy

With input from our advisers and in consultation with the Company, we reviewed the investment strategy for the Fund and introduced a de-risking framework in September 2020, considering the objectives described in Section 2. Following the Fund reaching the third and final of its agreed de-risking “triggers” in June 2022, the investment strategy for the Fund is shown in the following table.

Asset class	Strategic allocation
Multi-asset credit	10%
Short duration credit	25%
LDI funds and cash	65%
Target interest rate and inflation hedging (Gilts flat basis)	100% of the funded liabilities

Our policy is to target the maximum expected return level subject to ensuring the level of investment risk is appropriate to reflect the Fund’s circumstances. We believe that the strategy above meets this objective.

There is no formal rebalancing policy. We monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, we will consider with our advisers whether it is appropriate to rebalance the assets.

We have a leverage management plan in place which sets out the assets directly available to support the Fund’s LDI arrangements and approach that is expected to be taken with regards to selling down any other assets to support the LDI arrangements. We review and update the plan periodically.

4. Considerations in setting the investment arrangements

When deciding how to invest the Fund’s assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.

We take an integrated approach when assessing risk and reviewing the investment strategy. In particular we take account of: the employer covenant, contributions, funding targets, liability profile (including interest rate and inflation sensitivities and

the extent to which they are hedged) and the level of expected return and risk now and as the strategy evolves.

The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. Investment risk is primarily measured using Value at Risk.

In setting the strategy it is our policy to consider:

- our investment objectives, including the target return required to meet these
- 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 covenant
- the need for appropriate diversification between different asset classes to manage investment risk, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate

We also consider any other factors which we believe to be financially material over the applicable time horizons to the funding of the Fund’s liabilities, including environmental, social and governance (“ESG”) factors and the risks and opportunities relating to climate change.

Our 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;

- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important; and
- climate change is a financially material systemic issue that presents risks and opportunities for the Fund over the short, medium and long term.

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have signed agreements with the investment managers, setting out the terms on which the portfolios are to be managed.

Details of the investment managers are set out in the separate SIP addendum.

We have limited influence over managers' investment practices because all the Fund's assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the

investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Fund's investment mandates.

6. Realisation of investments

We instruct disinvestments as required for benefit payments and other outgoings. Our 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, our policy is to use cash flows to rebalance the assets towards the strategic asset allocation, and also receive income from some of the portfolios where appropriate.

7. Financially material considerations and non-financial matters

We considered how environmental, social, governance ("ESG") considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Fund and its members.

We influence the Fund's approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this. We delegate to our investment consultants oversight of our managers' ESG practices.

We have limited influence over managers' investment practices where assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund.

We do not consider 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. Voting and engagement

We recognise our 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.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

We do not monitor or engage directly with issuers or other holders of debt or equity, but we do engage with current and prospective investment managers on matters including ESG and stewardship. We expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries. We expect the managers to communicate their policies on stewardship to us from time to time, and provide us with reporting on the results of their engagement and voting activities regularly and at least once a year.

We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.

We have selected some priority themes to provide a focus for our monitoring of investment managers' voting and engagement activities. We will review them regularly and update them if appropriate. Our current priorities are;

- climate change and biodiversity loss; and
- corporate governance and business ethics.

We chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good

stewardship. Therefore we believe it is in our members' best interests that our managers adopt strong practices in these areas.