Mizuho Bank London Final Salary Scheme – Money Purchase Section

Chair's Statement on DC Governance from 1 April 2019 to 31 March 2020

This Chair's Statement ('Statement') has been prepared by the Trustee of the Mizuho Bank London Final Salary Scheme ('the Scheme') to demonstrate how the Scheme has complied with the DC governance standards introduced on 6 April 2015 under the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

This Statement relates to the period from 1 April 2019 to 31 March 2020 and covers the following key areas:

1. Scheme Management, including The Trustee's compliance with the statutory Trustee Knowledge and Understanding ('TKU') requirements

2. Investment governance of the Scheme's default arrangement

3. Charges, transaction costs and value for money within with the Scheme

4. Illustrations of the cumulative effect of these costs and charges

5. Administration, including the processing of core Scheme financial transactions

1 Scheme Management

Trustee Knowledge and Understanding

How Trustee requirements for knowledge and understanding have been met throughout the Scheme year and an explanation of how the Trustee has, or has access to, all the competencies necessary to run the Scheme is detailed in this Statement.

As a professional trustee, the Trustee has completed tPR's Trustee Toolkit, has full accreditation from the Association of Professional Pension Trustees (APPT) and attends external pension related seminars and events run by third party providers.

In addition to the skills within the Trustee itself, the Trustee has also appointed a number of professional advisers who provide specialist support and advice. This includes the Scheme's investment consultant, actuaries, legal advisers and auditors.

The Trustee has access to a document portal which contains the key Scheme documents that the Trustee should be familiar with. The portal was replaced by a new Trustee Gateway site in 2019.

Conflicts of duty or interest and Risk Management

The Trustee is fully independent of the Principal Employer, however, is required to notify the Principal Employer of any conflicts that may arise. The Trustee maintains a Risk Register which is reviewed at least annually.

2 Investment governance and Scheme's default arrangement

The Statement of Investment Principles (SIP) was updated in 2019, agreed by the Trustee and signed on 26 September 2019. A copy of the SIP is attached in Appendix 1 and is available online from:

https://goddardperryeb.com/final-salary-scheme-documents.php

The agreed process is for the Trustee to review the SIP usually once a year or immediately after any significant change in investment policy. The SIP has been scheduled to be reviewed in 2021.

The Trustee's main aims with regards to investments, as detailed in the SIP for the Scheme dated 26 September 2019, are to make sure that they can meet their obligations to the members of the Scheme. This is achieved by the following:

- Funding the Scheme so that benefits can be paid as they fall due.

- Being mindful of their duty to be prudent, to monitor the Bank's covenant and revisit the investment strategy should the covenant weaken.

- Ensuring there are a sufficient number of appropriate investment options available to allow the member to plan for retirement.

- Providing general guidance to the member, as appropriate, as to the suitability of each investment option.

- Encouraging members to seek independent financial advice from an appropriate person in determining the profile of their own investment.

- The Trustee is continually reviewing the suitability of the options provided and, from time to time, change managers or introduce additional investment portfolios as appropriate.

In setting the default investment option, the Trustee has considered the investment risk factors and is satisfied that the concluded approach for the default investment option will provide opportunities to minimise these risks efficiently for funds building up for members who have not yet retired.

The target retirement date will be a member's 60th birthday unless a member elects otherwise in writing.

The Trustee has produced a SIP which summarises the Trustee's decisions in respect of investments, including their aims, objectives and policies for the Scheme's default investment strategy.

The Trustee's key aims and objectives with regard to investments are as detailed in the SIP as follows:

- To offer a range of passively managed funds with different objectives and risk profiles from which members can make a choice.

- To offer a default investment strategy in the event that members are unwilling to make their own investment choice.

- In selecting the fund choices offered to members of the DC section, the Trustee has considered the historical rates of return earned on the various asset classes available.

- The members' investments are held in funds which are sufficiently liquid to be realised to provide pension benefits on retirement or on earlier payment.

- The Trustee has taken advice from the investment consultant to ensure that the investment options are suitably diversified and appropriate for the Scheme. The Trustee will review the suitability of the funds offered from time to time.

Members who do not make an active investment decision have their fund invested in a default fund.

The investment consultant, Hymans Robertson (appointed on 1 January 2020) (previously provided by PiRho), provides quarterly reports on the performance of the funds.

The Trustee also monitors the use of the default fund and the choices being made when benefits come into payment once this starts to occur.

3 Charges, transaction costs and value for money

Transaction costs and charges borne by members may have a significant impact on their pension savings, so it is important the Trustee keeps the levels of these deductions under review.

Member-borne costs and charges

The costs associated for many of the services required to operate the Scheme and support members, such as administration and communications, are met by the Principal Employer. Key information in respect of charges is as follows:

- The charges (AMC and additional expenses) applicable to the funds available to members range from 0.2583% to 0.271%.

- The actual costs borne to the individual members depend on the fund, or combination of funds, that members are invested in.

- As the Scheme is not being used as a qualifying scheme for automatic enrolment, the charge controls on DC schemes do not apply, although the charges are much lower than the cap 0.75%.

Transaction costs

The Trustee understands that it is required to assess and understand the different types and levels of transaction costs that are incurred by the Scheme's investment funds and assess the value these costs deliver to members.

For all investment funds, including the default, there are additional charges incurred by members when choosing to transact between different funds. These charges are included by the investment manager within the unit price offered to members and depend on whether members are buying into, or selling out of, a fund. The individual fund factsheets are available to members on BlackRock's client website.

The total charges for the various funds available to members are as follows:

Fund	Annual Management Charge (AMC)	Additional Expenses	Total Cost to members -Total Expense Ratio (TER)
Aquila Life Overseas Consensus Equity Fund S3	0.25%	0.021%	0..271%
Aquila Life Consensus Fund S3	0.15%	0.0153%	0..1653%
Aquila Life Over 15 Year UK Gilt Index Fund S5	0.08%	0.036%	0.116%
Aquila Life Cash Fund	0.125%	0.1333%	0.2583%
Aquila Life UK Equity Fund	0.10%	0.03%	0.13%
Aquila Life Over 5 Year UK Index-Linked Gilt index Fund	0.08%	0.036%	0.116%

These charges are reflected in the unit price quoted by the investment manager, rather than being explicitly deducted from each member's fund. The actual costs borne by the individual members depend on the fund, or combination of funds, that the members are invested in.

The Scheme is not used as a qualifying scheme for automatic enrolment so the charge control on DC schemes do not apply.

<u>Illustration of charges and disclosure costs</u>

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings.

The "before costs" figures represent the projected pensions savings assuming an investment return with no deduction of member borne fees or transaction costs. In comparison, the "after costs" figures represent the projected pension savings using the same assumed investment return after deducting the member borne fees (i.e. the AMC) and an allowance for transaction costs.

An illustration is shown for the default option, Aquila Life Consensus Fund S3, as most members of the Scheme are invested in this fund. Illustrations are also included for two funds from the Scheme's self-select fund range, which are deemed to have the highest and lowest before costs expected return. The two funds used for the illustration are:-

- The fund with the highest before costs expected return – Aquila Life Overseas Consensus Fund S3;
- The fund with the lowest before costs expected return – Aquila Life Cash Fund.

Projected pension pot in today's money

Years from now	Aquila Life Consensus Fund S3 (most popular)		Aquila Life Overseas Consensus Equity Fund S3 (highest return)		Aquila Life Cash Fund (lowest return)	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£26,525.00	£26,525.00	£26,525.00	£26,525.00	£26,525.00	£26,525.00
1	£26,715.32	£27,111.69	£27,232.55	£26,020.20	£26,068.77	£25,883.84
2	£26,907.00	£27,711.36	£27,958.98	£25,525.02	£25,620.39	£25,258.17
3	£27,100.06	£28,324.30	£28,704.79	£25,039.25	£25,179.72	£24,647.63
4	£27,294.50	£28,950.79	£29,470.49	£24,562.73	£24,746.63	£24,051.84
5	£27,490.34	£29,591.14	£30,256.61	£24,095.28	£24,320.98	£23,470.46
10	£28,490.81	£33,011.70	£34,513.20	£21,888.12	£22,300.10	£20,767.67
15	£29,527.69	£36,827.67	£39,368.62	£19,883.14	£20,447.14	£18,376.13
20	£30,602.30	£41,084.74	£44,907.11	£18,061.82	£18,748.15	£16,259.99
25	£31,716.03	£45,833.90	£51,224.78	£16,407.34	£17,190.33	£14,387.53

Notes to illustrations

- Values shown are estimates and are not guaranteed.
- Projected pension pot values are shown in today's terms.
- Inflation is assumed to be 2.5% each year.
- The starting pot size is £26,525.
- The projections assume that salaries increase in line with inflation to allow for prudence in the projected values.
- There are no employee or employer contributions as the Scheme is closed.

Value for money

It is the Trustee policy to consider all member borne charges on a regular basis and to ensure that members are obtaining value for money. The Trustee understands that value for money does not necessarily mean the lowest fees, and the overall quality of the service they receive has been taken into account in the value for money assessment.

Overall, the Trustee believes that members of the Scheme are receiving good value based on the following criteria:-

- the day to day administration has in general been managed efficiently;
- the funds available to members have performed in line with their stated objectives.

As part of the process to update the assessment, the Trustee revisited the outstanding areas previously identified where greater value for members could be added. The Trustee has also been liaising with the Bank around whether to take any actions to try and improve value for money for members in these remaining areas; the range of investment options and strategies; the efficiency of administration processes and the extent to which Goddard Perry as administrators meet and exceed their service level standards for the Scheme year; the quality of communications delivered to member; and the quality of support services and Scheme Governance.

A further update on any actions taken to improve these areas will be included in the next value for money assessment and Chair's Statement.

4 Administration

Processing core financial transactions

The Scheme's DC section was closed to future contributions on 30 September 2002.

The processing of core financial transactions is monitored by Goddard Perry who have documented internal control procedures that help to ensure that core financial transactions are processed promptly and accurately. These include controls and procedures to manage the accuracy of investment allocations and payments of benefits as well as individual transfers out.

The Scheme's administrator, Goddard Perry, provides a governance report to the Trustee on administration issues at quarterly intervals. The Trustee uses this information to review Goddard Perry's administration processing, including core financial transactions.

Any exceptions or issues with administration or transaction processing identified through the quarterly reporting are discussed with Goddard Perry to identify the root cause and they will be asked to confirm what measures are being taken to improve the Scheme's processes in order to minimise the likelihood of repeat issues occurring and ensure transaction processing is as efficient as possible.

The Trustee reviews the information provided by Goddard Perry Consulting to consider whether the Scheme processing is timely and accurate, or whether further reporting would be helpful in future.

In addition, the Trustee will also review Goddard Perry's administration assurance report (AAF01/06) which includes details of their disaster recovery and business continuity plan.

Over the period covered by this Statement, the Trustee is satisfied that:-

- There have been no material administration errors in relation to processing core financial transactions; and

- All core financial transactions have been processed within a reasonable timeframe.

Scheme data and record-keeping

The Trustee in liaison with Goddard Perry Consulting are in the process of considering whether appropriate data is held regarding members of the Scheme. This review will ensure that “Common” and “Conditional” data, as defined by tPR, will be assessed and an improvement plan will be put in place if required. Although there is currently no specific Common Data score for the DC Section, the Scheme’s overall score is 92% as at January 2020.

Signed

Dinesh Visavadia
Independent Trustee Services Limited

23 September 2020

Signed by the Chair on behalf of the Trustees of the Mizuho Bank London Final Salary Scheme

The Mizuho Bank London Final Salary Scheme

Statement of Investment Principles

Prepared by

The Trustees

The Mizuho Bank London Final Salary Scheme

27 July 2011

Updated 26 September 2019

Contents

Purpose and structure of this Statement	This Statement of Investment Principles (this Statement) sets out the principles under which the Trustees of the Mizuho Bank London Final Salary Scheme (the Scheme) invest the Scheme's assets.

This Statement comprises five sections:

1. Introduction
2. Principles specific to the Scheme's defined-benefit (DB) section
3. Principles specific to the Scheme's defined-contribution (DC) section (including AVCs)
4. Principles common to both sections
5. Governance of the Scheme's investments.

The Trustees will refer to this Statement whenever necessary to ensure they exercise their powers of investment so as to give effect to the principles set out in it as far as reasonably practicable.

Scheme rule provisions

The Trustees' obligations and powers of investment under the Scheme are set out in Clause 5 of the Definitive Deed and Rules dated 12 March 2004.

In summary, Clause 5 says:

- The Trustees will prepare, maintain and from time to time revise a statement of investment principles
- Subject to the investment restrictions and any requirements imposed by such statement, the Trustees have full and unrestricted powers of investment
- In particular, they may invest in any part of the world in:
    - Deferred or immediate annuities, or other insurance policies
    - Land or property
    - Units, unit trusts, investment trusts or other common investment funds or securitised issues
    - Stocks and shares, by whatever means
    - Derivatives
    - Deposits (but not with a company that participates in the Scheme)
    - Managed funds administered by an insurance company
- The Scheme must comply with restrictions on employer-related investments
- AVCs must be held separately
- The Trustees may consider DC members' investment preferences
- The Trustees may commingle the Scheme's assets with those of any other pension scheme, subject to the prior consent of HM Revenue & Customs
- The Trustees may consult and appoint one or more investment managers and may delegate to them all or any of the Trustees' powers
- The Trustees may purchase annuities, either in their name or in the name of individual members

continued on next page …

1. Introduction (continued)

Scheme rule provisions (continued)

- The Trustees shall ensure the assets are held in their name or in the name of nominees authorised by them
- The Trustees, or an investment manager with the written consent of the Trustees, may borrow money, subject to the written consent of the Bank
- The Trustees may insure the Scheme’s assets.

Legislative requirements

Under section 35 of the Pensions Act 1995 (the 1995 Act) (as amended by section 244 of the Pensions Act 2004 (the 2004 Act)), trustees are required to prepare a statement of the principles governing investment decisions, covering certain matters.

This Statement is intended to comply with the legislative requirements.

The Trustees have regard to the requirements of section 36 of the 1995 Act (as amended by section 244 of the 2004 Act) concerning the suitability of investments and section 36A of the 1995 Act (inserted by section 246 of the 2004 Act) regarding borrowing money or acting as a guarantor.

The Trustees will consider those requirements on any review of this Statement or any change in their investment policy.

Advice taken

Although the ultimate power and responsibility for deciding investment policy lies solely with the Trustees, the Trustees obtained and considered written advice from HamishWilson Limited, Goddard Perry Consulting Limited and PiRho Investment Consulting Ltd when developing their investment strategy.

In particular, the Trustees took advice from HamishWilson Limited when preparing this Statement.

The Trustees will also obtain and consider written advice before revising this Statement.

Consultation with the Bank

The Trustees consulted the Principal Employer, Mizuho Bank, Ltd. (the Bank), when preparing this Statement.

The Trustees will also consult the Bank before materially revising this Statement.

6 2. Principles specific to the defined-benefit section

Investment objective

The Trustees’ primary objective as regards the Scheme’s DB section is to ensure sufficient assets are available to pay members’ and dependants’ benefits as and when they fall due in accordance with the Scheme’s Rules.

The Trustees’ investment objective, having regard to the Bank’s covenant, is to maximise the rate of return earned on the Scheme’s assets while having regard to the risks of not being able to achieve the primary objective of paying benefits as they fall due.

Bank's covenant	The Trustees are satisfied that the Bank's covenant is sufficiently strong to enable them to employ risk in their investment strategy with a view to obtaining higher returns than would be possible if they adopted a least-risk policy.

Profile of the DB section's liabilities and cash-flow requirements

A valuation of the DB section's assets and liabilities and an assessment of its cash-flow requirements were carried out by the Scheme Actuary as at 31 March 2017 These indicated that:

- There was a funding deficit of £19.9m relative to the ongoing funding target of £133.8m;
- Just over 32% of the liabilities at that time related to pensioners, with the balance related to deferred pensioners;
- The bulk of pension outgo is dependent on future price inflation, with a cap of either 3% p.a. or 5% p.a., although a significant proportion is subject to increases at the fixed rate of 3% p.a. Price inflation is measured by reference to the Retail Prices Index except in revaluing deferred pensions after 2010, for which the Consumer Prices Index is used.

Cash flow projections carried out as part of the valuation as at 1 April 2017 showed that:

- Annual benefit outgo will increase rapidly over the next few years, increasing from about £2.0m in 2017 to about £3.6m by 2022;
- Annual benefit outgo will peak at about £6.5m by around 2042;
- The liabilities stretch out for more than 60 years, with the mean term of the liabilities being about 21 years.

For DB members in the Scheme's Industrial Bank of Japan section, benefits are subject to a money-purchase underpin.

The DB section was closed to future benefit accrual on 30 September 2002. This means its liability profile will change over time.

Contributions

The Bank is contributing to the Scheme at the rate of £2.4m p.a. until December 2024, having contributed £3.72m p.a. since 1 April 2015.

Based on certain assumptions, contributions are expected to exceed benefit outgo and so there should be no need to realise assets to meet benefit outgo throughout this period.

2. Principles specific to the defined-benefit section (continued)

Other considerations	In setting their investment strategy for the DB section, it is the Trustees' policy to consider: • A full range of asset classes, including alternative asset classes such as private equity, venture capital and hedge funds • The suitability of investing in each asset class • The balance between risk and reward for a range of alternative asset allocation strategies • The need for appropriate diversification both across asset classes and within asset classes (to reduce risk or maximise returns for a given risk budget) • The relative merits of active investment (where the investment manager takes a view on the merit of each stock or share) and passive investment (where the manager tracks an index).
Investment strategy	The Trustees' strategy is to invest the DB section's assets in a diversified range of assets, including equities, bonds and alternative assets. This strategy extends to achieving diversification by geographical area. The strategy will involve, where appropriate, the use of derivatives to hedge foreign currency back into sterling where the currency risk is not already hedged within the chosen investment vehicles.
Strategic asset allocation	The Trustees' long-term strategy is to invest the DB section's assets as follows: • In the interests of diversification, 20% of the assets will be invested in bonds. This will be split equally between passively-managed index-linked gilts and high-quality corporate bonds. • In the expectation of achieving higher returns over the longer term (in excess of that on bonds), the remaining assets are invested in other asset classes. This will include passively-managed equities (60% of the assets) and an actively-managed unconstrained, multi-asset pooled fund targeting absolute returns (for the balance of 20% of the assets). • Within the equity portfolio, 40% will be UK equities and 60% will be overseas equities. • Within the overseas equities, 1/3 will be currency hedged to sterling. The Trustees will review the actual balance of the total portfolio from time to time against the intended weightings and will allocate new money and/or instruct the investment managers to disinvest as appropriate to rebalance the portfolio.

2. Principles specific to the defined-benefit section (continued)

Expected investment return

The Trustees expect the asset classes in which the DB section's assets are invested to produce the long-term real gross* rates of return shown in the table below.

Asset class	Weighting	Expected gross* long-term rate of return
Equities	60%	RPI inflation + 4% p.a.
Bonds	20%	RPI inflation – 1% p.a.
Multi-assets	20%	RPI inflation + 2.5% p.a.

* Before allowing for investment management charges.

The expected returns shown above have been expressed relative to price inflation (as measured by the Retail Prices Index (RPI inflation)) even though some investment performance targets (e.g. for alternative assets) may be expressed relative to London Inter-Bank Offered Rates (LIBOR). The Trustees expect LIBOR to lag RPI inflation by 1.5% p.a. on average over the long term.

Overall, the Trustees expect their strategic asset allocation to result in a long-term real rate of return of about 2.7% p.a. relative to RPI inflation before allowing for investment management charges.

The implicit allowance for investment returns in the Trustees' funding policy is lower than the expected return. This is because the Trustees consider it prudent not to anticipate all of the returns they expect from the Scheme's investments and because of short-term market conditions.

Trustees' risk budget

The Trustees expect the asset portfolio to result in annualised volatility in the value of the Scheme's assets, both in absolute terms and relative to the Scheme's liabilities, of about 10% p.a. over a sustained period.

Implementation

The Trustees implement their investment strategy by investing in a range of pooled funds operated by suitably experienced investment managers and/or insurance companies.

The annexed "Summary of Investment Arrangements" (which is not formally part of this Statement) provides details of the Trustees' investment arrangements at the date shown. This may change with time.

Selection criteria

When selecting (or deselecting) investment managers or insurance companies, the Trustees consider various criteria. These include:

- Reputation and commitment to the DB market
- Quality of investment process
- Research capability
- Past performance (in particular its consistency with the stated brief)
- Administration and reporting capabilities
- Charges.

Realisation of investments

Realisation of equities and bonds held within the pooled funds is at the discretion of the relevant investment manager or insurance company and is not under the control of the Trustees.

Until 2020, the Trustees expect the DB section to have positive cash-flow and so do not anticipate a need to realise their pooled fund holdings in order to meet benefit outgo.

However, they may need to realise units in order to:

- cover unexpected cash-flow requirements e.g. several large cash equivalent transfer values within a short period
- rebalance between asset classes
- implement a change in investment strategy
- effect a change of manager.

From 2021, benefit outgo will need to be met from investments – mainly through sales of units in the pooled investment vehicles if the strategy remains unchanged.

The Trustees will obtain written advice from a suitably authorised and experienced adviser before deciding to switch out of any of the pooled funds in which they invest (or invest in new ones).

Measuring and managing risk

The Trustees will consider the following risks from time to time:

- **"Employer covenant risk"** – the risk of the employer not being able to pay any further contributions into the Scheme.

  The Trustees discuss with the Bank the strength of the Bank's covenant at least annually.

  The Trustees will review their investment policy as soon as practicable after any significant change in the Bank's covenant.

- **"Credit risk"** – the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

  The Trustees have set guidelines with fund managers to limit its exposure to investments with high credit risk. They have also set limits on exposure to counterparties for collateral purposes and they monitor and manage the aggregate exposure of the Fund to each counterparty.

  In addition, the credit risk arising from pooled investment vehicles is mitigated by their underlying assets being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate, and diversification of the investments among a number of pooled arrangements. The manager selection consultant carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

- **"Market risk"** – the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices of the Scheme's assets. It comprises three types of risk:

  - **"Currency risk"** – the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

The Trustees will use derivatives to hedge foreign currencies back into sterling, where appropriate and where this risk is not already hedged within the chosen investment vehicles.

The investment managers have the option to hedge the currency risk where they consider it necessary, taking into account the risks and the expected reward.

- **"Interest rate risk"** – the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

  Such fluctuations help match changes in the actuarial liabilities which also fluctuate as a result of changes in market interest rates, i.e. they counteract mismatching risk (see below).

- "**Other price risk"** – the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the financial individual instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

  The Trustees manage this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

- **"Mismatching risk"** – the risk of a significant difference in the sensitivity of asset and liability values to changes in financial and economic factors, which could lead to volatility in the Scheme's funding position.

  The Trustees will reconsider their strategic asset allocation following each actuarial valuation.

- **"Liquidity risk"** – the risk of a shortfall of liquid assets relative to benefit payments that are due to be paid.

  The Trustees will manage the DB section's cash-flow requirements taking into account the expected timing of future benefit payments. The Trustees may borrow on a temporary basis if necessary to provide liquidity.

Measuring and managing risk (continued)

- **"Manager risk"** – the risk of the investment managers or insurance companies failing to deliver to their briefs.

  The Trustees have appointed PiRho Investment Consulting Ltd to measure both the investment returns and degree of risk taken by each investment manager or insurance company, and will monitor this on a regular basis.

- **"Concentration risk"** – the risk of the failure of a particular equity or bond (or investments in a particular industry sector or country) significantly adversely affecting the Trustees' ability to meet their objectives through a lack of diversification.

  This risk is addressed by the decision to invest in pooled funds which themselves are diversified.

  The Trustees do not have control over the degree of diversification within the pooled funds in which they invest. However, they do take diversification into account when considering whether to invest in or divest from such funds.

- **"Custody risk"** – the risk of misappropriation of assets, delivery that is not in accordance with instructions, unauthorised use of assets for the benefit of the custodian's other customers, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events, or custodial default.

  The safe custody of the Scheme's assets is delegated to professional custodians (through either fund managers or the use of pooled vehicles).

- **"Demographic risk"** – the risk of Scheme members living longer than anticipated due to unexpected improvements in longevity.

  The Trustees currently cannot control longevity risk, but will review the latest available data, and the sensitivity of the liabilities to this, as part of each full actuarial valuation to ensure that successive calculations of the Scheme's liabilities are based on reasonably prudent estimates of longevity.

- **"Operational risk"** – the risk of fraud, poor advice or acts of negligence.

  The Trustees minimise this risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and by ensuring that suitable compensation clauses are included in all contracts for professional services provided to the Trustees.

Investment objective	**The Trustees' investment objective for the Scheme's DC section (including members' AVCs) is to make available to members of the Scheme a range of investment options designed to generate income and capital growth, which will provide retirement funds suitable for meeting members' long and short-term needs, differing circumstances and attitudes to risk.** A balance has to be struck between offering sufficient funds to meet this objective and the costs and practical constraints e.g. relating to the monitoring of each fund.
Considerations	Members who are several years from retirement (and thus from the need to realise their funds) may generally expect to invest for long-term growth, which means investing in equity-oriented funds, accepting those funds' values may be volatile. As members approach retirement it is likely they will want more certainty and so invest in funds more closely matching the benefits they wish to take, e.g. bond-based funds if they wish to buy an annuity and cash-based funds if they wish to take a lump sum. Some members prefer to diversify risk by selecting funds that invest in a balance of different asset classes and markets while others are prepared to take more risk in the expectation of greater growth by selecting funds that specialise in certain asset classes and/or markets. Likewise, some members prefer to invest in passively-managed (index-tracking) funds while other members prefer to invest in actively-managed funds. The DC section was closed to future contributions on 30 September 2002.
Range of fund types and expected risks and returns	The Trustees have decided to offer members a range of funds giving members exposure to a number of different asset classes, markets and investment managers, and thereby funds with different expected levels of risk and return. The Trustees will obtain written advice on these funds from time to time to check they remain appropriate investments.
Legacy AVC contracts	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 contacts. The Trustees will obtain written advice on these contracts from time to time to check they remain appropriate investments.
Implementation	The Trustees implement their investment strategy by giving members access to a number of pooled funds operated by suitable investment managers and/or insurance companies. The annexed "Summary of Investment Arrangements" (which is not formally part of this Statement) provides details of the Trustees' investment arrangements, which may change from time to time.

3. Principles specific to the defined-contribution section (continued)

Selection criteria

When selecting (or deselecting) investment managers' or insurance companies' funds, the Trustees consider various criteria. These include:

- Reputation and commitment to the DC market
- Quality of investment process
- Research capability
- Past performance (in particular its consistency with the stated brief)
- Quality of member communications
- Administration and reporting capabilities
- Charges.

Realisation of investments

Realisation of equities and bonds held within the pooled funds is at the discretion of the relevant investment manager or insurance company and is not under the control of the Trustees.

The Trustees realise pooled fund units allocated to members' individual accounts to meet the wishes of members when either drawing benefits or switching between investments.

The Trustees will obtain written advice from a suitably authorised and experienced adviser before deciding to withdraw (or make available) any pooled funds.

Measuring and managing risk

The Trustees will assess and consider the following risks from time to time:

- "**Credit risk**" - the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge its obligations.

  The DC section is subject to "direct credit risk" through its holdings in pooled funds and to "indirect credit risk" arising from the underlying investments within the pooled funds.

  The credit risk arising from these is mitigated by their underlying assets being ring-fenced from the pooled manager and the regulatory environments in which the pooled managers operate. The Trustees monitor their creditworthiness by reviewing published credit ratings. In the event of the pooled manger's default the Scheme is protected by the Financial Services Compensation Scheme.

- **"Inappropriate fund selection"** – the risk of members making inappropriate fund selections.

  The Trustees minimise this risk by filtering the funds available, offering a selection and communicating with members. However, it is for members to choose the most appropriate fund(s) to suit their needs, having regard to their proximity to retirement, personal circumstances and attitude to risk.

- **"Manager risk"** – the risk of the investment managers or insurance companies failing to deliver to their briefs.

  The Trustees have appointed PiRho Investment Consulting Ltd to monitor both the investment returns and degree of risk taken by each investment manager or insurance company from time to time.

- **“Custody risk”** – the risk of misappropriation of assets, delivery that is not in accordance with instructions, unauthorised use of assets for the benefit of the custodian’s other customers, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events, or custodial default.

  The safe custody of the Scheme’s assets is delegated to professional custodians (either directly or via the use of pooled vehicles).

- **“Operational risk”** – the risk of fraud, poor advice or acts of negligence.

  The Trustees minimise this risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and by ensuring that suitable compensation clauses are included in all contracts for professional services provided to the Trustees.

Reviewing investments	The Trustees' policy is to review the investments they have made in pooled funds and/or insurance policies and to obtain written advice about them from time to time from a suitably authorised and experienced adviser. The Trustees will also obtain written advice when considering whether to make any new investments in pooled funds and/or insurance policies.
Socially-responsible investment	As the Scheme's assets are wholly invested in pooled funds, the Trustees accept the assets are subject to the investment managers' and insurance companies' policies on social, ethical and environmental consideration relating to the selection, retention and realisation of investments.

Corporate Governance and ESG

In June 2018, the Department for Work and Pensions (DWP) responded to the Law Commission's report on pension funds and social investment and published a consultation on changes to the Statement of Investment Principles (SIP) requirements. The aims were to make it clear that trustees should take into account long-term financial risks and to strengthen requirements around stewardship activities and responding to members' ethical investment concerns. More specifically the regulation states that trustees need to set out the following within their SIP:

- How they take account of financially material considerations, including but not limited to, those arising from Environmental, Social and Governance (ESG) considerations including climate change.

- Policies on stewardship including engagement and exercise of voting rights.

In accordance with the Financial Services and Markets Act 2000, the selection of specific investments is delegated to investment managers. The investment managers will provide the skill and expertise necessary to manage the investments of the Scheme competently.

The Trustee has delegated selection, de-selection and monitoring of securities to the Investment Managers (BlackRock Investment Management (UK) Limited and Newton Investment Management Limited) of the investment vehicles that the Scheme owns. The Investment Managers' maintains processes to ensure that performance and risk are assessed on a regular basis against measurable objectives for fund. However, the Trustee believes that good stewardship and ESG issues may have a material impact on investment returns. The Trustee monitors the Investment Managers to ensure that alongside other investment risks, consideration of ESG risks are integrated throughout its investment decision making processes.

The Trustee does not believe that the introduction of any further restrictions on the Investment Managers relating to social, environmental or ethical considerations are in the best financial interests of the Scheme's members. In addition, the Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the each of the respective Investment Managers.

	Both BlackRock Investment Management (UK) Limited and Newton Investment Management Limited have dedicated Sustainable Investment resources. The consideration of ESG issues is fully embedded in the Investment Managers' selection and portfolio management process, with oversight undertaken on an ongoing basis. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Investment managers take into account in the assessment. The Trustee obtained Statements from each Investment Manager regarding ESG and Corporate Governance regarding the management of the collective investment vehicles that are owned by the Scheme (see Statements in Appendices).
Exercise of voting rights	As the Scheme's assets are wholly invested in pooled funds, the Trustees accept the assets are subject to the investment managers' and insurance companies' policies on the voting rights attached to investments.
Reviewing this Statement	The Trustees will review this Statement at least every three years, or immediately after any significant change in their investment policy.

Operation of Trustees

Since June 2018, a professional trustee has been the sole Trustee.

In addition to the Trustee's own investment knowledge, the Scheme's strategic investment consultant and actuary provide support as requested

The Trustee believes they currently have sufficient resources to support them in their investment responsibilities. In addition, the Trustee agreed the present expense arrangements for their work are satisfactory. The Trustee has agreed to keep these issues under review.

The Trustee acknowledges the Myners Review principle of separate competition for actuarial and investment contracts. However, the Trustee considers it to be appropriate to receive both actuarial and strategic investment advice from HamishWilson Limited and important to obtain independent advice relating to the selection and monitoring of investment managers.

The Trustee will develop an informal business plan for each 12-month period. Progress on the items in the plan will be reviewed at the end of each period.

The Trustee will report certain highlights from this Statement and from the regular monitoring of the Scheme's investments in the annual report to members. Copies of the annual report and the monitoring reports are available to members from the Scheme Secretary.

Professional advisers

The Trustees are ultimately responsible for the investment of the Scheme's assets.

However, the Trustees are able to call on the services of their professional advisers, which include:

- the strategic investment consultant
- the manager selection consultant(s)
- the fund manager(s)
- the Scheme Actuary.

The annexed "Summary of Investment Arrangements" (which is not formally part of this Statement) provides details of the advisers at the date shown. These may change from time to time.

Division of responsibilities between Trustees and advisers

The Trustees' responsibilities include:

- Reviewing the content of this Statement and revising it if deemed appropriate, in consultation with the Scheme Actuary and strategic consultant
- Reviewing the investment policy following the results of each actuarial review, and/or asset-liability modelling exercise, in consultation with the Scheme Actuary and strategic consultant
- Assessing the quality of the performance and processes of the investment managers by means of regular, but not less than annual, reviews of the investment results and other information, in consultation with the manager selection consultant
- Appointing (and where necessary dismissing) investment managers
- Selecting (or deselecting) pooled funds and/or insurance policies
- Selecting (or deselecting) advisers
- Consulting with the Bank before **materially** amending this Statement
- Monitoring compliance with this Statement
- Monitoring the strength of the Bank's covenant.

The strategic investment consultant's responsibilities include:

- Assisting the Trustees with reviews of this Statement
- At the Trustees' request, advising them:
  - how changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested
  - of any developments in the investment industry that could either present opportunities or problems for the Scheme
- Reviews of asset allocation policy.

The manager selection consultant's responsibilities include:

- Reviewing pooled funds and/or insurance policies
- Advising on new pooled funds and/or insurance policies
- Performance reviews of the existing investment managers
- Advising on the selection of new investment managers
- Reviews of investment management fees
- Research reviews of the existing and/or potential investment managers.

continued on next page …

Division of responsibilities between Trustees and advisers (continued)

The fund manager(s)'s responsibilities include:

- Informing the Trustees of any changes in the internal performance objectives and guidelines of any of their pooled funds used by the Scheme
- Having regard to the need for diversification of investments so far as appropriate and to the suitability of investments in so far as such requirements have been notified to the investment manager
- Giving effect to the principles contained in the Statement as far as reasonably practicable.

The Scheme Actuary's responsibilities include:

- Liaising with the strategic investment consultant on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Performing the triennial (or more frequently as required) funding valuations, advising on appropriate contribution levels and reassessing the profile of the Scheme's liabilities.

Fee structures

The nature of the advisers' and fund manager(s)'s fee structures are set out in the annexed "Summary of Investment Arrangements" (which is not formally part of this Statement).

Trustees' confirmation

This Statement was prepared by the Trustees of the Mizuho Bank London Final Salary Scheme.

Signed on behalf of the Trustees of the Mizuho Bank London Final Salary Scheme

Signature D Visavadia

Name	Dinesh Visavadia
Position	Chair
Date	26/09/2019

ANNEXE 1

The Mizuho Bank London Final Salary Scheme (the Scheme)

Summary of Investment Arrangements as of September 2019

Introduction

This annexe to the Trustees' Statement of Investment Principles (Statement) provides a summary of the Scheme's investment arrangements. It is not formally part of the Statement.

The Trustees may revise this summary from time to time if they make any significant changes to the Scheme's investment arrangements. They will only revise the Statement if they change their investment policies.

The Trustees' Advisers

The Trustees employ a number of professional advisers to help them set and implement their investment policies. They are:

Role	Name	Fee basis
Strategic investment consultant	HamishWilson Limited	Time-cost
Manager selection consultants	PiRho Investment Consulting Ltd Goddard Perry Consulting Limited	Fixed fee Fixed fee + commission
Fund manager(s)	BlackRock Investment Management (UK) Limited Newton Investment Management Limited	Percentage of funds under management Percentage of funds under management
Scheme actuary	Hamish Wilson, HamishWilson Limited	Time-cost

Defined-benefit (DB) section

The Trustees have chosen the following investment arrangements for the Scheme's DB section:

Provider	Fund	Investment characteristics
BlackRock Investment Management (UK) Limited	Aquila Life Global Equity 60:40 Equity Index Fund	Invests in both the UK and overseas equity markets. Looking to achieve low tracking error versus the index benchmark, the Fund has approximately 60% invested in the shares of UK companies and the remaining 40% is invested in the shares of overseas companies, split between the US, Europe ex-UK, Japan and Pacific Rim.
	Overseas Equities (Currency hedged to £)	Overseas component of Global Equity 60:40 Equity Index Fund. These funds enable the Trustees to hedge foreign currency back into sterling consistent with their strategy.
	Overseas Equities (No currency hedge)	
	Aquila Life Over 15 Years Corporate Bond Index Fund	Invests mainly in high-quality Sterling corporate bonds with over 15 years to maturity. The Fund is managed to achieve low

Provider	Fund	Investment characteristics
		tracking against its performance benchmark of the iBoxx Sterling, Over 15 Years, Non-Gilts Index.
	Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund	Invests in UK index- linked gilts to achieve a low tracking against its performance benchmark of the FTSE UK Gilts Index-Linked Over 5 Years Index.
Newton Investment Management Limited	Newton Real Return Fund	The objective of the Fund is to achieve significant real rates of return in Sterling terms predominantly from a portfolio of UK and international securities. The Fund aims to deliver a return of cash (1 Month GBP LIBOR) +4% over 5 years before fees.

Defined-contribution (DC) section and AVCs

The following funds are available for both members' DC accounts and AVCs:

Provider	Fund	Investment characteristics
BlackRock	Aquila Life Consensus Index Fund	Invests in line with the average UK pension as reported by the balanced section of the CAPS Pooled Fund survey ex-Property ex-Emerging Markets. Invests passively in Aquila Life index-tracking funds for each asset class. Aim: to provide a low cost alternative to traditional balanced fund management and to achieve consistent investment performance in line with the average UK pension fund. Holdings at 31 March 2015: UK equities 34.4% European equities 14.4% US Equities 19.6% Pacific Rim Equities 4.5% Cash 7.0% Japanese Equities 8.8% Overseas Bonds 4.2% All Stocks UK Gilts 3.4% All Stocks Corporate Bonds 2.9% UK Index Linked Gilt 0.7%
	Aquila Life Overseas Consensus Equity Index Fund	Invests in the shares of overseas companies (those of European, Japanese, other Far Eastern and US markets) according to the weightings of the average UK pension Fund. Within each of those markets, the Fund aims to generate returns consistent with those of each country's primary share market. Holdings at 31 March 2015: European equities 30.5% US Equities 41.4% Pacific Rim Equities 9.5% Japanese Equities 18.6%
	Aquila Life UK Equity Index	Invests in shares of UK companies and aims to achieve a return that is consistent with the return of the FTSE All-Share Index. This index is widely regarded as the benchmark for UK pension Fund investment in shares of companies in the UK.

Provider	Fund	Investment characteristics
	Aquila Life Cash Fund	Aims to achieve an investment return that is in line with wholesale money market short-term interest rates. Specifically, the Fund seeks to better the return of the 7 Day Sterling London Interbank Bid Rate (LIBID). The underlying investments of the Fund are a diversified portfolio of money market instruments. The instruments are of a high quality and have a minimum credit rating of A1 or an equivalent standing.

The following funds are available only for members' AVCs:

Provider	Fund	Investment characteristics
Scottish Equitable	High Equity With Profits Fund (WP2)	Invests in a range of bonds, gilts and equities in the UK and overseas, with a guarantee that the unit price will not fall. Annual reversionary bonuses (if any) are declared in advance and fed through daily to unit prices. A terminal bonus or market value reduction may apply in certain circumstances Aim: to produce superior long-term returns. Annual management charge: 1% Investment allocations at 31 March 2011: UK Equities 46.4% Bonds & Fixed Interest 41.1% Overseas Equities 10.1% Cash 2.3%
MGM	Bonus Growth	A unitized with-profits fund with a "moderate" risk. Annual bonuses, which broadly reflect the expected long-term investment yield on the underlying assets after tax and changes of the with profits fund, are declared each quarter. Each bonus is an interim rate for the following quarter and is allocated on a daily basis. Aim: to provide growth, which emerges regularly; Investment allocation of 31 December 2010: Fixed Interest 48.8% Overseas equities 19.5% UK Equities 19.0% Property 11.0% Cash 1.7%
Standard Life	With-Profits	A composite fund. Aim: To achieve competitive returns, whilst maintaining an appropriate level of financial strength and meeting all contractual obligations to policyholders. Benchmark: None specified. Investment ranges: None specified
MGM	With-Profits	Provides a guaranteed sum assured and reversionary bonuses declared until the policy was made paid-up. Includes guaranteed annuity rates. Aim: Not specified. Benchmark: None specified.

Equitable Life Assurance Society	With-Profits	78% of fund was invested in a fixed income portfolio of government and corporate bonds at 31 December 2004. Aim: Not specified. Benchmark: None specified.
Legal & General	Over 15 Year Gilts Index	Invests in long-dated UK gilts. Aim: To track the sterling total return of the benchmark (including re-invested income) to within +/- 0.25% p.a. for two years in three. Benchmark: FTSE A Government (Over 15 Year) index.
Legal & General	Consensus Index	Invests in a broad range of assets. Aim: To maintain an asset distribution close to that of the benchmark, with the aim of delivering long-term performance close to that of the average UK discretionary pension fund, excluding property. Benchmark: CAPS Pooled Fund Balanced Funds Survey
Legal & General	Global Equity (70:30) Index	Invests passively in UK and overseas equities via Legal & General's pooled index funds, with a 70/30 distributions between UK and overseas assets, with the overseas asset distribution mirroring that of the average UK pension fund. Aim: to capture the sterling total returns of the UK and overseas equity markets as represented by the benchmarks. Benchmark: FTSE All-Share index for the UK portion and appropriate sub-divisions of the FTSE All World index and the S&P/IFC Investable Emerging Market Index for overseas assets.
Legal & General	Global Equity Index/Active	Invests in equities with a 70/30 distribution between its UK and overseas assets and a 75/25 pro rata split between its index and actively managed assets. The overseas asset distribution mirroring that of the average UK pension fund. Aim: to capture the total sterling returns of the UK and overseas equity markets, as represented by the benchmarks. Benchmark: FTSE All-Share Index in the UK and appropriate sub - divisions of the FTSE All - World Index and overseas.

Prudential	With-Profits	Invests in real assets and bonds, with a 74/26 split in 2006. The real assets comprise mainly an internationally-diversified portfolio of quoted equities, property (about 15%) and small exposure to private equity and other assets. The bonds comprise an internationally-diversified portfolio of government and corporate bonds and private debt having an average credit rating of BBB+. Aim: To secure the highest combination of income and growth in capital value (allowing for the effect of taxation), whilst maintaining the security of the fund. Benchmark: Derived by modelling different asset classes and the fund's liabilities, and reviewed regularly. Asset allocation @ 31 December 2005: UK equities 40% International equities 19% Fixed interest 21% Property 15% Cash & other 3% Alternative assets 2%