

Mizuho Bank London Final Salary Scheme DC Section Implementation Statement for the year ending 31 March 2021

Welcome to the Trustee's Statement of how they implemented the policies and practices in the Scheme's Statement of Investment Principles during the year ending 31 March 2021.

Why do the Scheme's investments matter to me?

The DC section of the Scheme provides you with benefits on a defined contribution ("DC") basis (sometimes called money purchase benefits). This means that the size of the benefits paid to you when you retire will depend on how much the funds where your savings are invested grow over the years.

What is the Statement of Investment Principles ('SIP')?

The SIP sets out the investment principles and practices the Trustee follows when governing the Scheme's investments. It describes the rationale for the investment options which you can choose (including the default arrangement if you don't make a choice), explains the risks and expected returns of the funds used and the Trustee's approach to responsible investing (including climate change).

The last review of the Scheme's SIP was completed in September 2020. The Trustee will review the SIP at least once every three years.

In the last year several changes were made to the Scheme's SIP particularly regarding engagement and stewardship policies, and how the Trustee considers financially material ESG factors in investment arrangements.

If you want to find out more, you can find a copy of the Scheme's SIP (and the Scheme's Chairs Statement) at <https://goddardperryeb.com/final-salary-scheme-documents.php>

What is this Implementation Statement for?

Each year the Trustee is required to prepare an Implementation Statement, which sets out how they have complied with the Scheme's SIP relating to DC benefits during the last year.

Overall, the Trustee is satisfied that:

- **The provisions in the SIP remain suitable for the Scheme's DC members.**
- **The Scheme's DC investments have been managed in accordance with the SIP.**

How the Scheme's investments are governed

The Trustee has overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the fund manager.

The Trustee undertook the following during the last year to ensure that their knowledge of investment matters remains up to date:

- As a professional trustee, the Trustee has completed the Pensions Regulator'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 periodically considers their investment governance arrangements and additionally reports on this in the annual chair statement.
- Through their process to review and update the SIP, the Trustee built on their knowledge and understanding of relevant pensions regulation including recent updates.

The Trustee consults with their investment advisers on a periodic basis and whenever changes are made to the investment arrangements. The Trustee has set investment objectives for the investment advisor in their advisory role to the Scheme holistically and they assess their performance against these objectives on an annual basis.

Hymans Robertson was appointed as the Scheme's new investment adviser in February 2020.

The Trustee is satisfied that during the last year:

- **The Scheme's DC governance structure was appropriate;**
- **The Trustee has maintained their understanding of investment matters; and**
- **Their investment advisers met the agreed objectives.**

How the default arrangement and other investment options are managed

The objectives and rationale are set out in the SIP for the default arrangement and for the other investment options.

The Trustee carries out annual high-level review of the default arrangement and other investment options to ensure they remain suitable for most members, this involves:

- Ensuring that the default arrangement complies with the charge cap;
- Monitoring the investment performance of each fund;

On a periodic basis the Trustee:

- Considers whether the funds still meet the investment objectives the Trustee has set for the default arrangement and other investment options; and
- Checking whether there have been any significant changes in the profile or objectives of the Scheme's membership that may impact the preferred investment options.

The Trustee is satisfied that the default arrangement remains suitable for most members as a diversified multi-asset fund with fees under the charge cap.

The Trustee's investment beliefs

The Trustee has developed a set of investment beliefs which are set out in the SIP which they use as a guide when making investment decisions.

During the last year the Trustee, with the help of their investment adviser, reviewed their investment beliefs and expanded on their beliefs regarding investment risks, portfolio turnover, stewardship, manager engagement and financially material ESG factors, including climate change.

The Trustee expanded their investment beliefs on responsible investing including climate change during the last year.

The expected risks and returns on your savings in the DC Scheme

The investment risks relating to members' DC benefits are described in the SIP and the expected returns relative to inflation from each type of investment used by the Scheme are also set out in the SIP. The Trustee expanded on the risks related to climate change within the Scheme year.

The Trustee believes that the main investment risks members face described in the SIP have not changed materially over the last year, although have explicitly added climate risk to the main investment risks.

The Trustee is satisfied that the current expected rates of investment return for the types of funds described in the SIP are still reasonable relative to the risks that members face.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the investment fund range available to members and the choice of a multi-asset fund as the default investment option.

The Trustee's views on the mix of investments for the Scheme's fund range including the default arrangement did not change during the last year.

Fund managers

Choice of funds

The Trustee monitors the performance of the funds used by the DC section of the Scheme by:

- Reviewing performance annually as part of the process of reviewing the annual report and accounts and the high-level review of the default arrangement

There have been no changes to the available funds during the last year.

The Trustee is satisfied that the choice of funds remains appropriate for members.

Ability to invest / disinvest promptly

It's important that your contributions can be invested promptly in the default arrangement or the investment options you have chosen and that your investments can be sold promptly when you want to change where they are invested, transfer your pension pot to another scheme or your benefits are due to be paid out when you retire.

The Trustee is satisfied that money can be invested in and taken out of the Scheme's funds without delay as set out in the SIP.

Changes in where funds are invested

The Trustee has committed to monitor the volume of buying and selling of the assets in which each fund is invested that is carried out by the funds' managers. For passively managed funds the turnover of holdings is driven by changes in the index a fund seeks to track and hence is outside the control of the investment manager.

During the Scheme year the Trustee did not request this information from the Scheme's manager BlackRock. This is a new commitment in the SIP and has not yet been implemented, although the intention is to do this in the future.

The Trustee is committed to monitoring the level of turnover going forwards.

Security of your savings in the Scheme

In addition to the normal investment risks faced investing in the funds used by the Scheme, the security of your savings in the Scheme depend upon:

- The financial strength of the fund managers used by the Scheme; and
- The legal structure of the funds the Scheme invests in.

The financial strength of the fund managers has a bearing on the risk of losses to the Scheme's DC members caused by the remote chance of one of these institutions getting into financial difficulties. The legal structure of the funds used has a bearing on the degree to which the funds' assets are "ring-fenced" from the rest of the provider's or fund managers' business in the unlikely event that the provider or manager becomes insolvent.

The Scheme holds unitised insurance policies issued by BlackRock Life Limited which is a UK authorised and regulated insurance company. The Scheme is therefore a policyholder of BLL on behalf of members. BLL is subject to UK Company Law and Insurance Regulation.

There have been no changes to the structure of the funds used by the Scheme during the last year. The Trustee is not aware of any material changes in the financial strength of the fund managers in the last year.

Conflicts of interest

As described in the SIP, the Trustee considers potential conflicts of interest:

- When choosing fund managers;
- When notified of any issues arise in the management of the funds used by the Scheme

The Trustee expects the fund managers to invest the Scheme's assets in the members' best interests. The Trustee will seek to establish that investment managers have an appropriate conflicts of interest policy in place.

The Trustee is satisfied that there have been no material conflicts of interest during the year which might affect members' benefit expectations.

Manager incentives

As described on page in the SIP, the Trustee seeks to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' objectives.

When selecting funds, the Trustee will ask their investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Scheme's members. In accordance with the 2015 Regulations, the Trustee conducts an annual Value for Members assessment and will take action should the manager be found to be giving poor value.

The Trustee is satisfied that the fund managers are suitably incentivised to deliver good outcomes for the Scheme's members.

Responsible Investment

The Trustee believes that responsible investing covers both the inclusion of ESG and climate risk considerations into investment decision making, and effective stewardship of the assets the Scheme invests in.

During the last Scheme year, the Trustee extended their investment beliefs around ESG and climate factors in investment decision making and expectations. The Trustee explicitly considers these risks when making investment decisions and considers them to be financially material and will consider the managers approach when selecting new investment mandates.

The Trustee has committed to periodically review the voting and engagement policies of the fund managers. The Trustee will also seek to review engagement activity undertaken by the fund managers. The Trustee reviewed the voting and engagement policy/activity of BlackRock post year end in conjunction with the preparation of the annual implementation statement.

The Trustee is satisfied that during the last year the Scheme's investments were invested in accordance with the policies on responsible investing set out in the SIP.

Investment stewardship

As described in the SIP, the Trustee believes it is important that the fund managers as shareholders or bond holders take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on major issues which affect a company's financial performance (and in turn the value of the Scheme's investments).

The Trustee seeks to ensure that their manager is exercising voting rights and where appropriate, to monitor managers' voting patterns. The Trustee also monitors their investment manager's voting on particular companies or issues that affect more than one company.

A summary of each of the funds for which the Trustee was able to retrieve voting activity in the 12 months to 31 March 2021 is given below.

Strategy/Fund name	BlackRock Consensus	Aquila	Life	BlackRock Aquila Life Overseas Consensus Equity
Proportion of Scheme assets	97.8%			1.5%
No. of meetings eligible to vote at during the year	5,693			4,337
No. of resolutions eligible to vote on during the year	63,671			46,224
% of resolutions voted	95.4%			100%
% of resolutions voted with management	92.8%			92.3%
% of resolutions voted against management	7.1%			7.6%
% of resolutions abstained	1.5%			1.6%
% of meetings with at least one vote against management	N/A			33%

Resolutions which BlackRock commonly vote against management include:

- Election of directors and related proposals
- Capitalisation
- Compensation
- Mergers, acquisitions and reorganisations

Significant votes

The Trustee considers 'significant votes' to be either companies with relatively large weightings in the funds members invest in, or where there were shareholder issues that members are expected to have an interest. The Trustee has identified the following votes as being of greater relevance to the Scheme:

BlackRock - Chevron Corporation, 27 May 2020, vote to Report on Climate Lobbying Aligned with Paris Agreement Goals

BlackRock voted FOR this proposal, as greater transparency into the company's approach to political spending and lobbying as aligned with their stated support for the Paris Agreement will help articulate consistency between private and public messaging in the context of managing climate risk and the transition to a lower-carbon economy.

BlackRock - Barclays Plc, 7 May 2020, Approve Barclays' Commitment to Tackling Climate Change

Following engagement with its shareholders and other stakeholders, including BlackRock, Barclays announced on 30th March 2020 updated ambitions with respect to tackling climate change. Barclays proposed its own resolution at its annual general meeting (AGM) to commit the company to a strategy, with targets, for alignment of its entire financing portfolio to the goals of the Paris Agreement. Barclays committed to provide further details of the strategy by the end of 2020. BlackRock voted FOR the resolution as the company sets a clear ambition to become net-zero and align to the goals of the Paris Agreement, addressing shareholders' concerns for the time being.

BlackRock - Facebook Inc., 27 May 2020, Elect Director Marc L. Andreessen

BlackRock voted AGAINST Mr. Andreessen as he serves on the Audit Committee and they did consider him to be affiliated, not independent. Mr. Andreessen is a founding partner at Andreessen Horowitz which has held significant stakes in companies acquired by Facebook. BlackRock believe all members of key committees, including audit, should be independent.

Summary of manager engagement activity

The Trustee has access to annual reporting on BlackRock's engagement activity. The following tables summarise key engagement activity for 2020 by most common topics.

BlackRock

Number of engagements	Topic engaged on
1,695	Board quality
1,939	Environmental risks and opportunities
1,644	Corporate strategy and allocation
1,077	Human capital and management
1,269	Compensation that promotes long-termism

The manager carried out 3,051 engagements with 2,110 companies over 2020 – some of these engagements may have covered numerous topics.

Trustee Engagement Activity

The Trustee holds meetings with their investment managers on a periodic basis where stewardship and ESG issues can be discussed. During the Scheme year the Trustee did not directly engage with BlackRock on stewardship and ESG issues, however the Trustee's investment advisor actively monitors BlackRock, and provides the Trustee with updates and manager ratings based upon their implementation of RI principles and stewardship.

The Trustee is satisfied that during the last year the Scheme's investments were invested in accordance with the policies on Responsible investing set out in the SIP.

Communication and member engagement

The Trustee made the following changes to how the Scheme's investment options and investment governance are communicated to the members:

The Trustee now prepares in line with regulations an annual implementation statement that is published online and details how the Trustee has implemented the Scheme's policies in the last Scheme year.

During the last year the Trustee believes that they have fulfilled their responsibility and commitments with regards to member communications.

Limitations and missing information

The Trustee has been unable to obtain full information on:

- For voting record over the Scheme year the percentage of meetings with at least one vote against management by BlackRock.

The Trustee and their investment advisers will work with the fund managers to compile this information in readiness for next year's Implementation Statement.

During the last year the Trustee followed the policies and practices described in the SIP.

More information

We hope this Statement helps you understand how the Scheme's investment of your savings for retirement has been managed in the last year. If you have any questions or feedback, please contact :

Paul Blackmur
Goddard Perry Consulting Limited
Corinthian House
17 Lansdowne Road
Croydon, CR0 2BX
Email paul.blackmur@goddardperry.com