

Mitsui (UK) Retirement Benefits Plan

Statement of Investment Principles – August 2020

Background

The Trustees of the Mitsui UK Retirement Benefits Plan ("the Plan") have drawn up this Statement of Investment Principles ("the Statement") to comply with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it). The Statement is intended to affirm the investment principles that govern decisions about the Plan's investments and the Trustees believe that the investment policies and their implementation are in keeping with best practice, including the principles underlying the (Myners) Code of Best Practice for pension fund investment published in 2001 (as amended).

The Plan is sectionalised into a Mitsui section and a Yamaha section. The Trustees therefore consider the investment strategies of each section separately, paying due regard to the liability profile of each section and the strength of the principal employers. Both sections operate for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. Unless stated otherwise, the general investment principles contained in the SIP for the Plan apply to both sections.

The Trustees' investment responsibilities are governed by the Plan's trust deed: a copy of the relevant clause, of which this Statement takes full regard, is available for inspection.

Governance

The Trustees make the key strategic decisions relating to the Plan's investments, but have appointed Legal & General Investment Management (LGIM) as a Fiduciary Manager, giving them discretion over the implementation and day-to-day management of the Plan's investments.

When making investment decisions, and when appropriate, the Trustees take proper advice from LGIM, in their role as Fiduciary Manager. LGIM are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice. The Trustees review LGIM's performance and the Plan's risk profile on a quarterly basis.

Before deciding on the investment strategy and preparing this Statement, the Trustees have consulted with Mitsui & Co. Europe plc and Yamaha Motor Europe N.V., the principal employers.

Investment Objectives

The Trustees are required to invest the Plan's assets in the best interest of the members, and their main objectives with regard to investment policy are:

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet the cost of current and future benefits which the Plan provides.
- To limit the risk of assets failing to meet the liabilities, both over the long term and on a medium-term basis.

In addition, the following secondary objectives have been adopted:

- To pay due regard to the interests of the size and incidence of the principal employers' contribution payments

- To generate a reasonable level of surplus, without undue exposure to risk in the more adverse investment conditions

Investment Strategy

For both Sections, the Trustees have set a return target for the portfolio of 2.43% pa above liability matching gilts, gross of investment management fees. Net of fees, this equates to a return target of 2.2% pa above liability matching gilts. The Trustees have considered the risks associated with a return target of this level across a number of different metrics. The Fiduciary Manager is tasked with reducing risk to the extent possible for the specified return target.

The balance of investments will vary from time to time within the discretion of the Fiduciary Manager, the constraints in which the portfolios for each section are managed are:

Asset allocation constraints	Minimum Allocation (% of Portfolio)	Maximum Allocation (% of Portfolio)
Overall allocation to growth assets	45%	70%
Equities & Listed Alternatives	-	55%
Equities	-	45%
Listed Alternatives	-	25%
Developed market sovereign and corporate bonds (excluding LDI)	-	55%
High Yield bonds & EM Debt	-	25%
Commodities	-	10%
Non-public markets funds (e.g. Direct Property)	-	15%
Liability-matching corporate bonds	-	100%
Liability-matching pooled LDI funds & cash/liquidity funds	-	100%
Non-GBP sterling currency exposure	-	55%
Other	-	25%
Liability hedge constraints for matching assets	Minimum	Maximum
Interest rate exposure (PV01 as % of funded liabilities)	50%	110%
Inflation exposure (IE01 as % of funded liabilities)	50%	110%

Management of the Assets

The assets of both sections are managed under a fiduciary management agreement by Legal & General Investment Management Ltd. ("LGIM"), an investment manager regulated by the Financial Conduct Authority ("FCA"). Fiduciary management means the Fiduciary Manager has discretion to invest the assets of the Plan across its range of investment products in order to meet the strategic objectives of each section. In doing so it is tasked with maintaining the diversification, liability hedging and liquidity of the portfolio as a whole.

The safe custody of the Plan's assets is delegated to professional custodians via the use of pooled vehicles. These appointments are reviewed at regular intervals by Legal & General.

The Trustees monitor the Plan's asset allocation on a quarterly basis and review LGIM's performance.

The Trustees' policy is to evaluate its Fiduciary manager by reference to the managers' individual performance (over short, medium and longer-term periods), the role it plays in helping to meet the objectives of the Plan as set out in this statement, and the fees paid to the manager.

Investment Risks

The Trustees recognise a number of risks involved in investment of the assets of the Plan and also understand that this list is not a comprehensive evaluation of the risks the Plan faces.

Solvency risk and mismatching risk - The Trustees regularly review the asset allocation of both sections of the Plan to ensure mismatching risk is considered and managed suitably. Solvency levels are monitored through ongoing triennial actuarial valuations.

Liquidity risk - The Trustees have adopted a strategy that makes due allowance of the need for liquidity of the Plan's assets.

Concentration risk - The Trustees have delegated to the Fiduciary manager the task of ensuring that the risk of an adverse influence on investment values from the poor performance of a small number of individual investments is reduced by diversification across asset classes, regions and securities.

Sponsor risk - The Trustees review the Sponsor covenant at each actuarial valuation or when there is an event that might lead to material changes in the Sponsor's covenant. The Trustees have considered the risk that the principal employers may be unwilling or unable to maintain the necessary level of contributions in future, as measured by a number of factors including the creditworthiness of the Sponsor and the size of the pension liability relative to the financial strength of the Sponsor.

Leverage (derivatives) risk – In order to manage liability risk the Trustees permit the use of derivative strategies by the Fiduciary Manager, to facilitate efficient portfolio management and to contribute to risk reduction. The Trustees delegate the management of derivative instruments to the Fiduciary Manager to ensure they are made and managed so as to avoid excessive risk exposure to a single counterparty and to other derivative operations.

Manager risk – The Trustees monitor the Fiduciary Manager's performance on a quarterly basis, and compare the investment returns with appropriate performance objectives.

Realisation of Investments

The Trustees' policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Plan's overall investments where possible. The responsibility for buying and selling investments has been delegated to the Fiduciary Manager.

Responsible Investment and Corporate Governance

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns. The Trustees have given the Fiduciary Manager full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Plan's investments over an appropriate time horizon. The Trustees have also given the Fiduciary Manager full discretion when considering non-financial matters in relation to the Plan's investments.

The Trustees expect their investment managers, where appropriate, to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity in order to improve their performance in the medium to long-term.

Similarly, the Plan's voting rights are exercised by its Fiduciary Manager in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustees expect the Fiduciary Manager to demonstrate good stewardship practices, and will review how their investment managers are performing in this area by considering investment managers' disclosures on stewardship as provided to the Trustee, and discussing stewardship with investment managers at regular Trustees' meetings.

Additional Voluntary Contributions ('AVCs')

Members from both sections can invest additional voluntary contributions with Prudential Assurance Company Limited.

The Trustee provides a range of investment options for members making AVCs. The Trustee delegates ESG considerations, and exercising rights and stewardship obligations attached to the Plan's investments to the AVC provider.

Fees and costs

LGIM are paid a management fee on the basis of assets under management. This fee includes the provision of both asset management and investment consulting services for the Fiduciary Management service.

The Trustees consider the fees agreed with their Fiduciary Manager incentivise the Manager to provide a high quality service that meets the objectives of the Plan. The Trustees monitor the Fiduciary Manager and would consider terminating any appointment that appears to be acting contrary to this SIP.

The Trustees recognise that investment management generates portfolio turnover costs which are reflected in performance of the Plan's assets. The Trustees expect their investment adviser to include the consideration of portfolio turnover costs as appropriate when providing advice on the Plan's investments.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

The Trustees of the Mitsui UK Retirement Benefits Plan