Marubeni-Komatsu Limited Pension and Death Benefit Scheme

Statement of Investment Principles

May 2025

isio.

The Marubeni-Komatsu Limited Pension and Death Benefit Scheme (the "Scheme")

Statement of Investment Principles

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Investment Objectives

The Trustee aims to invest the assets of the Scheme prudently with the intention that the benefits promised to members are provided. In setting the investment strategy, the Trustee's primary objectives are as follows:

- "Funding objective" – for the Scheme to be fully funded on a low risk basis, taking account of the strength of the Company covenant, with a return target that looks to improve the funding level over time;
- "Stability objective" – to have regard for the volatility of funding and the risk of a funding deficit appearing; and
- "Hedging objective" – for the assets to hedge a high portion of the interest rate and inflation risk associated with the Scheme's liabilities on a Technical Provisions basis.

In setting the investment strategy the Trustee takes an integrated approach to risk management which considers the covenant strength of the sponsoring employer and the Scheme's funding strategy.

Investment Strategy

The long-term planned **asset allocation strategy** chosen to meet the objectives above is set out in the table below. The Trustee will monitor the actual asset allocation versus the target weight set out in the table below.

Asset Class	Fund	Target Weighting (%)
Equities	LGIM All World Equity Index Fund (GBP Hedged)	15.0
Buy and Maintain Credit	LGIM Buy & Maintain Credit Fund	20.0
Asset-Backed Securities	LGIM US Securitised Fund (GBP Hedged)	30.0
Liability Driven Investment (LDI) & Cash	LGIM Matching Core fund range LGIM Sterling Liquidity Fund	35.0
Total		100.0

Note: Following the closure of the M&G Pooled Pensions UK Property Fund, a small allocation of Scheme assets is currently retained within this fund while the process to wind up the fund is completed. This residual allocation does not form part of the Scheme's strategic asset allocation.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustee's policy is to make the assumption that equities will outperform gilts over the long term. However, the Trustee recognises the potential volatility in equity returns, particularly relative to the Scheme's liabilities, and the risk that the fund manager does not achieve the targets set. When choosing the Scheme's planned asset allocation strategy the Trustee considered written advice from their investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

In addition, the Trustee also consulted with the sponsoring employer when setting this strategy and obtained their endorsement.

Risk measurement and management

The Trustee maintains a 'Statement of Funding Principles' which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Scheme's liabilities as determined by an actuarial calculation.

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("**mismatching risk**"). The Trustee and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("**cash flow risk**"). The Trustee and their advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund manager to achieve the rate of investment return assumed by the Trustee ("**manager risk**"). This risk is considered by the Trustee and their advisers both upon the initial appointment of the fund manager and monitored on an ongoing basis thereafter.
- The failure to spread investment risk ("**risk of lack of diversification**"). The Trustee and their advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("**covenant risk**"). The Trustee and their advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk that a counterparty is unable to honour its obligation under a contract agreement causing the Scheme to suffer a loss ("**counterparty risk**"). Examples of which include derivative contracts within the Scheme's liability driven investment funds. This is managed by the fund manager diversifying exposure across a number of counterparties, using central clearing, collateralising with high-quality collateral (cash or gilts), and ongoing monthly monitoring of counterparty creditworthiness.
- The Scheme's liability driven investments are leveraged, which will multiply the exposure of these funds to certain assets. These funds may incur transaction costs associated with re-balancing the level of collateral held within the funds. There is a risk that the Scheme will be required to pay additional collateral into these funds in order to maintain the level of interest rate and inflation hedging ("**leverage and collateral adequacy risk**"). Should such an event arise then the Trustee has instructed LGIM to take these additional assets from the Scheme's cash holding in the LGIM Sterling Liquidity Fund, or if this is insufficient the other LGIM

funds. Should this still be insufficient to meet the required top up amount, the Scheme's level of hedging will be reduced.

- The risk of fraud, poor advice or acts of negligence ("**operational risk**"). The Trustee has sought to minimise such risk by ensuring that they have in place appropriate indemnity insurance cover, that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk that environmental, social and governance factors can impact future returns ("**risk of ESG factors**"). The Trustee acknowledges that ESG factors can have a financially material impact on the future returns on its investments and the Trustee's actions to mitigate these is detailed later in this document.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities, the Trustee's policy is to monitor, where possible, these risks periodically. The Trustee receives periodic reports showing:

- Performance of the Scheme's assets versus their respective targets.
- Any significant issues with the fund manager that may impact their ability to meet the performance targets set by the Trustee.

Implementation

Isio Group Limited ("Isio") has been selected as investment adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions themselves and to monitor those they delegate. Isio are paid on either a time-cost or a fixed-fee basis reflecting the cost of carrying out the work they undertake for the Scheme. This structure has been chosen to ensure that cost-effective, independent advice is received.

Investment Manager

The Trustee, with guidance from Isio, has chosen Legal and General Investment Management ("LGIM") to be the Scheme's Investment Manager. LGIM is authorised and regulated by the Financial Conduct Authority.

LGIM's investment objectives for each fund are as follows:

Asset Class	Fund Name	Strategic Benchmark	Description
Equities	All World Equity Index Fund (GBP Hedged)	15.0%	The investment objective of the fund is to track the performance of the FTSE All-World Index (less withholding tax where applicable) - GBP Hedged (with the exception of emerging markets), which is a customised index, to within +/- 0.5% per annum for two years out of three.
Buy and Maintain Credit	LGIM Buy and Maintain Credit Fund	20.0%	The fund aims to capture the credit risk premium within a globally diversified portfolio of predominantly investment grade credit and to preserve value over the course of the credit cycle by avoiding defaults and securities experiencing a significant deterioration in credit quality.

Asset-Backed Securities	LGIM US Securitised Fund (GBP Hedged)	30.0%	Provide long term capital growth and income. The fund is actively managed and seeks to achieve this objective by investing in a broad range of US Dollar denominated securitised assets, of which a minimum of 80% will be rated AAA and AA. The duration of the fund will not exceed 1.5 years.
Liability Driven Investment (LDI) & Cash	LGIM Matching Core Funds	35.0%	The funds aim to reduce DB pension scheme risk exposure to changes in interest rate and inflation rates. The funds reference a liability benchmark designed to reflect a generic pension liability profile, with short/long duration and fixed/real interest rate sensitivity, which rolls down over time.
	LGIM Sterling Liquidity Fund		The fund aims to offer liquidity and preserve capital, providing diversified exposure and a competitive return in relation to the Sterling Overnight Index Average (SONIA).
	Total	**100%**	

The Trustee has delegated all day-to-day decisions about the investments that fall within the mandate, including the realisation of investments, to the fund manager through a written contract. When choosing investments, the Trustee and the fund manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The manager's duties also include:

- Taking into account ESG considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets including taking into account the Institutional Shareholders' Committee Statement of Principles on the Responsibilities of Institutional Shareholders and Agents.

The Trustee, with guidance from their Investment Advisor, has chosen to invest in open-ended pooled funds.

For open-ended pooled funds the Trustee's policy is to enter arrangements with no fixed end date. However, in this case the Trustee will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Scheme's open-ended investments are weekly dealt. The Trustee will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of managers' performance against objectives. The Trustee may also elect to terminate the arrangement with an asset manager when performing ongoing reviews of the suitability of the Scheme's asset allocation over time.

Voting Activity

The Trustee reviews the statements of corporate governance issued by their fund manager and monitor voting activity regularly.

The Trustee's policy is to invest in pooled investment vehicles. It is the Investment Manager that is responsible for the exercise of rights (including voting rights) attaching to these investments.

The Trustee's policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Scheme's interests in the investments, having regard to appropriate advice. The Trustee expects the Investment Manager to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments. The Trustee believes that such engagement will protect and enhance the long-term value of its investments.

The Trustee expects the Scheme's investment manager to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Trustee will review this on an annual basis in line with their monitoring policy mentioned above.

ESG Policy

The Trustee's policy towards financially material considerations (including, but not limited to, environmental, social and governance considerations, including climate change) is to monitor the investment manager to whom they delegate this function through investment in pooled index-tracking funds. The Investment Manager produces regular reports on their engagement with companies on environmental, social and governance considerations.

The Trustee recognises the importance of ESG factors on long term investment performance and both immediate and future downside risks. The Trustee has set an appropriate monitoring framework to ensure the Scheme's Investment Manager is reviewed at appropriate intervals. The monitoring framework is intended to promote greater transparency and improved understanding of the reasons behind performance trends and key risk exposures. The Trustee recognises the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against ESG policy to ensure that the Scheme's assets are being managed appropriately. Regular monitoring and communication with the Investment Manager, with specific reference to ESG factors, will incentivise the Scheme's Investment Manager to assess and improve the medium to long-term performance of investee companies.

In addition to performance measures, the Trustee will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustee will also monitor the voting activity of the Investment Manager to check alignment with their views on ESG.

The remuneration of the investment manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustee will review and may replace the investment manager if net of fees investment performance, risk characteristics and ESG practices are not in line with the Trustee's expectations and views.

If the Trustee believes that the Scheme's Investment Manager is no longer acting in accordance with the Trustee's policies, including those regarding ESG and stewardship, the Trustee will take the following steps:

- engage with the Investment Manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and
- if necessary, look to appoint a replacement Investment Manager or managers which are more closely aligned with the Trustee's policies and views.

The Trustee believes that these steps will incentivise the investment manager to align its actions with the Trustee's policies and also for it to act responsibly.

Non-financial matters are not taken directly into account in the selection, retention and realisation of investments due to the relative size of the Scheme assets, the time and resources available to the Trustee and the fact that assets are mainly invested in index-tracking funds. Non-financial matters include the views of the members and beneficiaries, including their ethical views in relation to the social and environmental impact on their present and future quality of life.

Governance

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustee has taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee • Select and monitor planned asset allocation strategy; • Select and monitor investment advisors and investment managers; • Select and monitor any direct investments; • Responsible for all aspects of the investments of the Scheme's assets, including ESG considerations and implementation.
Investment Advisor • Advises on this statement; • Advises the Trustee on areas of strategy, manager selection, ESG and implementation as required; • Provides required training when engaged on a separate basis by the Trustee.
Investment Managers • Day-to-day management of the Scheme's assets. Operate in line with written agreements with the Trustee, which the Trustee believes are consistent with the terms of the SIP; • Manages in accordance with the agreement, including decisions around the selection and retention of underlying investments; • Are responsible for the stewardship of underlying investments.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as 'direct investments'.

The Trustee's policy is to review their direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustee will obtain written advice.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund manager) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives
- Foreign exchange risk

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund manager to manage the assets delegated to it under the terms of its contract and to give effect to the principles in this statement so far as is reasonably practicable.

The fund manager is remunerated on an ad valorem basis. The level of remuneration paid to the fund manager is reviewed regularly by the Trustee against market rates in the context of the Scheme's size and complexity to ensure the fund manager's interests are aligned with those of the Scheme.

In addition, the fund manager pays commission to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs. The Trustee receives statements from the fund manager setting out these costs and review them periodically. This is to ensure that the costs incurred are commensurate with the goods and services received.

The Trustee also reviews additional investment management costs and charges (including portfolio turnover costs incurred as a result of buying, selling, lending or borrowing of investments) on a regular basis, and on the selection of any mandate, to ensure that they are appropriate and competitive for the service being provided. The Trustee monitors the portfolio turnover in the context of what the Trustee believes to be reasonable given the nature of each mandate. By also monitoring performance and associated costs, the Investment Manager is incentivised to consider the impact of portfolio turnover on investment performance.

The Trustee invests in passively managed funds which replicate benchmark indices and therefore require assets to be bought and sold when the constituents of the underlying index change. To avoid being a forced buyer/seller of stocks and to reduce transaction costs when the index changes, investment managers give themselves some flexibility on exactly when to buy and sell and what proportions of each asset in the index to hold to minimise transaction costs.

The fund manager is responsible for the custody of the Scheme's assets through their pooled funds. The manager of these funds has appointed its own custodians. The custodians provide safekeeping of the Scheme's assets and perform administrative duties, such as the collection of interest and dividends and dealing with corporate actions.

The Trustee will review this Statement of Investment Principles (SIP) at least every three years and following any significant change in investment policy. The Trustee will take investment advice and consult with the sponsoring employer over any changes to the SIP.

Approved by Ross Trustees Services Ltd as Trustee of the Marubeni-Komatsu Limited Pension and Death Benefit Scheme at the Trustee meeting on 22 May 2025.