Konica Minolta Business Solutions (UK) Pension Plan

Statement of Investment Principles

July 2023

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1. Introduction

1.1 Plan Background

This Statement of Investment Principles ("SIP") details the principles governing investment decisions for the Konica Minolta Business Solutions (UK) Pension Plan (the "Plan").

- The Plan operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries.
- The Plan has a Defined Benefit section, which is closed to new members and future accrual of benefits, and a Defined Contribution section (further details are provided in the Defined Contribution handbook issued to members).
- Buck is investment consultant to the Plan.

1.2 SIP Structure

This SIP is made up as follows:

- **Statutory Information:** This section covers the requirements of, and the Plan's compliance with, the provisions of the Pensions Acts 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005.
- **Appointments and responsibilities:** This section includes additional non-statutory information on the key appointments and responsibilities with respect to the investment aspects of the Plan.

2. Statutory Information

2.1 Introduction

- This section covers the requirements of, and the Plan's compliance with, the provisions of the Pensions Acts 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005. The Trustees of the Plan have reviewed and considered written advice from the Plan's investment consultant and have consulted with the sponsoring employer, Konica Minolta Business Solutions (UK) Limited, in producing this SIP.
- The Trustees will review this SIP, in consultation with the investment consultant, at least once a year, or more frequently if there are any significant changes in the Plan's circumstances. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustees.
- The Trustees will examine regularly whether additional investment training is desirable for any individual Trustee.

2.2 Powers of Investment and Delegation

- The Trustees are responsible for all investment decisions, taking into account advice received from the investment consultant.
- The Trustees have delegated the day-to-day investment decisions to properly qualified and authorised fund managers of pooled pension funds. It is considered that this is appropriate bearing in mind the size and objective of the Plan. The investment managers are Legal & General Investment Management (LGIM) and Partners Group (Partners). An investment management agreement or similar documentation has been exchanged with each manager, to ensure that the manner in which they make investments on the Trustees' behalf is suitable for the Plan, and those investments are appropriately diversified.

2.3 Statutory Requirements

- This part of the SIP details the Trustees' policy to secure compliance with the requirements of sections 35 and 36 of the Pensions Act 1995.

Defined Benefit Section:

2.3.1 Investment Objectives and Suitability of Investments:

- The investment strategy for the Plan has been reviewed and agreed by the Trustees having taken advice from the investment consultant and taking due account of the liability profile of the Plan.
- The primary objective of the Trustees is to achieve a fully funded position on the Technical Provisions basis in accordance with the latest Recovery Plan.
- The Trustees have translated their objective into a suitable initial strategic investment strategy for the Plan. Details of the allocation are included in the appendices.

- In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to appointed investment managers authorised under the Act. Details are included in the appendices.
- The Trustees are responsible for reviewing the investment strategy of the Plan following each actuarial valuation in consultation with the Plan's investment consultant. The Trustees may also reconsider the investment strategy outside the triennial valuation period.

2.3.2 Diversification

- The Trustees have, after seeking appropriate investment advice, agreed the Plan's initial strategic investment strategy (see appendices).
- Subject to the respective benchmarks and guidelines (shown in the appendices) the managers are given full discretion over the choice of stocks and are expected to maintain a diversified portfolio where appropriate.
- The Trustees are satisfied that the investments selected are consistent with the objectives of the Plan, particularly in relation to diversification, risk, expected return and liquidity.
- Given the size and nature of the Plan, the Trustees have decided to invest on a pooled fund basis; any such investment is effected through a direct agreement with an investment manager and/or through an insurance contract.
- The Trustees are satisfied that the range of pooled vehicles in which the Plan invests, provide adequate diversification.

2.3.3 Balance between different kinds of investments

- The appointed investment managers hold a mix of investments that correspond to the Plan's initial strategic benchmark. Within each major market each manager will maintain a diversified portfolio of stocks through pooled vehicles.

2.3.4 Risk

- The Trustees consider the main risk to be that of the assets being insufficient to meet the Plan's liabilities as they fall due. The Trustees have assessed the likelihood of future undesirable financial outcomes arising in the future.
- The Trustees provide a practical constraint on Plan investments deviating greatly from the Trustees' intended approach by reviewing the investment allocation at Trustee meetings and deciding whether any action is required.
- The Trustees have agreed performance targets with their investment managers; these are shown in the appendices. Within each asset class, the investment managers are expected to maintain a portfolio of securities, which ensures that the risk being accepted in each market is broadly diversified where appropriate.

2.3.5 Expected return on investments

- Over the long term, the Trustees expect the return on Plan assets to be sufficient to meet their primary objective.

Defined Contribution Section:

2.3.6 Investment Objectives and Suitability of Investments

- The Trustees recognise that members have differing investment needs, which may change during the course of their working lives along with different attitudes to risk. The Trustees therefore believe that the members should make their own investment decisions based on their individual circumstances. The Trustees' objective is to provide a range of investment options which, while avoiding complexity, should assist members in achieving the following:
  - Maximising the value of retirement benefits, to ensure a reasonable standard of living on a member's retirement;
  - Protecting the value of benefits in the years approaching retirement against equity market falls and (should they decide to purchase an annuity) fluctuations in annuity costs;
  - Tailoring a member's investments to meet his or her own needs, and to how the member intends to make use of their benefits at and through retirement; and
  - Maximising the long term benefits from the Plan whilst limiting the risk of a member's account failing to achieve a level of return that the Trustees believe is reasonable.

  The Trustees have also offered three lifestyle strategies to members. They operate by members investing in return enhancing funds for the majority of their working lives. As members approach retirement, funds and contributions are switched dependent on whether the member is invested in the drawdown, annuity or cash lifestyles. Members can choose which lifestyle strategy is most appropriate for their needs. The default option for the Plan is the drawdown lifestyle.

  The default option has been designed having taken due regard to the membership profile of the Plan, including consideration of:
  - the size of members' retirement savings within the Plan;
  - members' current level of income and hence their likely expectations for income levels post retirement;
  - the fact that members may have other retirement savings invested outside of the Plan; and
  - the ways members may choose to use their savings to fund their retirement.

  These factors have also been considered when setting the range of alternative investment options from which members can choose.
- The objective of the default strategy is to provide a balanced investment strategy for members who do not make an active investment choice. The strategy aims to maximise the level of return (net of fees) that a member could expect to receive from the Plan over the course of their working lifetime, taking into account risk and the way in which benefits may be taken by members.
- The Trustees make available a property fund which members can choose to invest in. If dealing in this fund is suspended for any reason, the Trustees will temporarily divert member contributions from the property fund to a cash fund. Once the suspension ceases

the associated cash fund holding will be switched into the property fund unless the member actively chooses an alternative approach. The objective of the cash fund is to provide capital stability and this fund would not generally be expected to be used for long-term investment. Further details on the cash fund are included in the appendices.

- The Trustees are satisfied the funds offered to members and the appointed investment managers are consistent with the objectives of the Plan, particularly in relation to diversification, risk, expected return and liquidity.

2.3.7 Diversification

- The assets of the Defined Contribution section of the Plan are invested in a combination of pooled funds.

2.3.8 Balance between different kinds of investments

- Each fund has a defined objective and the Trustees are satisfied that the funds offered are appropriate for the different categories and ages of members. Further details are included in the appendices.

2.3.9 Risk

- The Trustees have considered risk from a number of perspectives. These are:
  - The risk that the investment returns over members' working lives will not keep pace with inflation and does not, therefore, provide an adequate retirement income;
  - The risk that investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of retirement income;
  - The risk that investment market movements in the period just prior to retirement lead to a substantial reduction in the anticipated cash lump sum benefit.
- To mitigate some of these risks, the Trustees have made available three lifestyle approaches and are comfortable that the funds offered are consistent with this approach.

2.3.10 Expected return on investments

- The objective of the equity, property and diversified funds is to achieve an attractive real return over the longer term. The objective of the cash and bond funds respectively is to provide for the payment of a lump sum on retirement and to reduce volatility, rather than to achieve a specific real or nominal return. The Trustees are satisfied that these return objectives are consistent with the aims of members at different stages within the three lifestyle strategies.

General Section:

2.3.11 Kind of investments to be held

- The Plan may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash, property and pooled investment vehicles considered appropriate for tax-exempt approved occupational pension schemes. The Trustees consider all of the stated classes of investment to be suitable in the circumstances of the Plan.

2.3.12 Realisation of investments

- In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the investment managers to be able to realise the Plan's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Plan, noting this policy also applies to the default option of the Defined Contribution Section of the Plan. The Defined Benefit Section of the Plan has a long-term allocation to a diversified alternatives fund, which may be difficult to realise quickly in certain circumstances. The majority of assets are not expected to take an undue time to liquidate.

2.3.13 The Trustees' policy in relation to financially material considerations

- The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.
- The Trustees also receive an independent annual review of their investment managers' policies from their investment consultant.

2.3.14 The Trustees' policy in relation to the extent to which non-financial matters are taken into account

- The Trustees' objective is that the financial interests of the Plan members is their first priority when choosing investments. They have decided not to take members' preferences into account when considering these objectives.

2.3.15 The Trustees' policy in relation to stewardship

- The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.
- The Trustees seek to appoint managers that have strong stewardship policies and processes and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

2.3.16 The Trustees' policy in relation to engagement and monitoring

- The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

- The Trustees review each investment manager prior to appointment and monitor them on an ongoing basis by reviewing the managers' voting and engagement activity when preparing the Scheme's annual implementation statement.
- The Trustees will engage with an investment manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the investment manager's own policies, or if the investment manager's policies diverge significantly from the views of the Trustees from time to time.
- The Trustees recognise that each investment manager's ability to influence the companies in which they invest will depend on the nature of the investment. The Trustees acknowledge that the concept of stewardship may be less applicable to some of their assets, particularly for cash and gilts.
- The Trustees have not set out their own stewardship priorities but follow that of the investment managers.
- As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

2.3.17 Voting Rights attaching to Investments

- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity. The Trustees will take corporate governance policies into account when appointing and reviewing investment managers.
- The Trustees have not set out their own voting policy but follow that of the investment managers. Each investment manager is expected to provide regular reports for the Trustees detailing their voting activity.

2.3.18 Additional Voluntary Contributions (AVCs)

- The Trustees will monitor periodically the performance of existing AVC providers, with advice taken from properly qualified and authorised investment consultants.

2.4 The Trustees' policy in relation to their investment managers

- In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees' policies and provides value for money over a suitable timeframe.

2.4.1 How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustees' policies

- The Trustees have delegated the day to day management of the Plan's assets to investment managers. The Plan's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

2.4.2 How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term

- The Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled fund to use in order to meet specific Plan policies. They expect that their investment managers make decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Plan's performance) over an appropriate time horizon.

  The Trustees have decided not to take non-financial matters into account when considering their policy objectives.

2.4.3 How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustees' investment policies

- The Trustees expect their investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustees review the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.
- If the Trustees determine that the investment manager is no longer managing the assets in line with the Trustees' policies, they will make their concerns known to the investment manager and may ultimately disinvest.
- The Trustees pay their investment managers a management fee which is a fixed percentage of assets under management. One manager, Partners, also receives a performance incentive fee.
- Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

2.4.4 How the Trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range

- The significant majority of the Scheme's assets are passively managed and therefore the Trustees do not explicitly monitor turnover costs.

- The Trustees expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

- The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

2.4.5 The duration of arrangements with investment managers

- The Trustees do not in general enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

3. Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Plan.

3.1 Appointments & Responsibilities

3.1.1 Trustees

The Trustees' primary responsibilities include:

- Preparation of the Plan's SIP and reviewing annually the content of the SIP and modifying it if deemed appropriate, in consultation with the sponsoring employer and investment consultant.
- Appointing investment managers and investment consultant as necessary for the good stewardship of the Plan.
- Reviewing the investment strategy of the Defined Benefit Section and Defined Contribution Section of the Plan periodically, in consultation with the Plan's investment consultant. and reviewing the stewardship / voting policies of the investment managers and undertaking the ongoing monitoring and engagement with their investment managers as appropriate.
- Assessing the performance and processes of the investment managers by means of regular reviews of the investment results and other information, in consultation with the investment consultant.
- Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.

3.1.2 Investment Consultant

The Plan's investment consultant is Buck. Their main responsibilities include:

- To assist the Trustees in the preparation and annual review of this SIP in consultation with the principal employer.
- To advise the Trustees on the performance of the appointed investment managers and help the Trustees in reviewing the managers' performance.
- Undertaking project work including reviews of investment strategy and manager structure as required by the Trustees.
- Advising the Trustees on the selection and review of new investment managers and custodians (if required).

3.1.3 Investment Managers

The investment managers' main responsibilities include:

- To ensure that investment of the Plan's assets are in compliance with prevailing legislation and within the constraints detailed in this SIP.
- Providing the Trustees with quarterly reports including a review of investment performance and any changes to their investment process. To attend meetings with the Trustees as and when required to discuss the details included in the report and to identify key activities at the investment managers.

- Inform the Trustees of any changes in the internal performance objective and guidelines of any pooled fund used by the Plan as and when they occur.
- Considering financially material risks affecting investments within their portfolio.
- To exercise voting rights on shareholdings in accordance with the Trustees' policy.

3.1.4 Custodian

The custodianship arrangements are those operated by the investment managers for all clients investing in the relevant pooled funds.

Signed on behalf of the Trustees of the Konica Minolta Business Solutions (UK) Pension Plan:

Eric Green	**Chair of Trustees**
Signature	**Date 31 July 2023**

Appendix 1 – Defined Benefit Section – Appointed Managers and Benchmarks

The Trustees have implemented a Cashflow Centred Investment Strategy. This strategy entails holding sufficient gilts and corporate bonds to meet expected benefit payments in the earlier years, with growth assets held for the longer term. The Trustees carry out a full review of investment strategy in conjunction with the triennial actuarial valuation, and between such events they will periodically adjust the allocation to growth assets based primarily on market opportunities and the strength of the Plan's funding position.

Mandate	Allocation Range (%)
Equities and Partners Fund	0 - 30
Gilts, Corporate bonds and Cash	70 - 100
Total	**100**

At the effective date of this SIP, the Trustees also had a holding in the LGIM LPI Income Property Fund. A full redemption request for this holding was submitted in June 2023 with the proceeds expected to be received in March 2024.

Details of the Plan's investment managers and their mandates are outlined in the following table. There are no target allocations given the nature of the Cashflow Centred Investment strategy in place.

Manager	Fund	Index
LGIM	UK Equity Fund	FTSE All-Share
LGIM	World (ex-UK) Equity Index Fund – GBP Currency Hedged	FTSE World (ex UK) Index - GBP Hedged
Partners Group	Partners Fund	None Applicable
LGIM	Maturing Buy and Maintain Credit Funds	None Applicable
LGIM	Over 15 Year Gilts Index Fund and single stock index-linked gilt funds	Relevant gilt index for each fund
LGIM	Cash Fund	Sterling Overnight Index Average

Appendix 2 – Defined Contribution Section – Appointed Manager

The funds are all managed by LGIM and are detailed below:

Asset Class	Fund	Index
UK Equity	UK Equity Index	FTSE All-Share
Overseas Equity	World (ex UK) Equity Index	FTSE World (ex UK)
Global Equity	Global Equity Fixed Weights (50:50) Index	Composite
Global Equity	Global Equity Fixed Weights (60:40) Index	Composite
Property	Managed Property	MSCI/AREF UK Quarterly All Balanced Property Funds Index
Multi-Asset	Diversified	FTSE Developed World (50% hedged to GBP)
Fixed Income	Future World Annuity Aware	FTSE Annuities
Fixed Income	Over 15 Year Gilts Index	FTSE-A UK Gilts Over 15 Years
Fixed Income	AAA-AA Fixed Interest Over 15 Year	FTSE-A Government Over 15 Years
Fixed Income	AAA-AA-A Corporate Bond Over 15 Year	Markit iBoxx £ Non-Gilts ex BBB Over 15 Years
Index- Linked	Over 5 Year Index-Linked Gilts Index	FTSE-A Index Linked Over 5 Years
Cash	Cash	Sterling Overnight Index Average

Full details of the current investment options available to members are included in the Plan's Defined Contribution member handbook.

Appendix 3 – Performance Objectives

Defined Benefit Section:

The performance objectives for the funds are set out below. All objectives are gross of fees, over a minimum of rolling three-year periods, unless otherwise stated:

Manager	Fund	Objective (p.a.)	Index
LGIM	UK Equity Index Fund	Track benchmark within +/- 0.25% for two years out of three	See Appendix 1
LGIM	World (ex-UK) Equity Index Fund – GBP Currency Hedged	Track benchmark within +/- 0.5% for two years out of three	See Appendix 1
Partners	Partners Fund	8 – 12% p.a. (net)	None
LGIM	Maturing Buy and Maintain Credit Funds	To provide diversified credit exposure with the bonds maturing over relevant time period	None
LGIM	Over 15 Year Gilts Index Fund and single stock index-linked gilt funds	Track benchmark within +/- 0.25% for two years out of three	See Appendix 1
LGIM	Cash	Perform in line with benchmark	See Appendix 1

Defined Contribution Section:

The performance objectives for the funds are set out below, all objectives are gross of fees, over rolling three-year periods, unless otherwise stated:

Fund	Objective (p.a.)	Index
UK Equity Index Fund World (ex UK) Equity Index Fund Global Equity Fixed Weights (50:50) Index Fund Global Equity Fixed Weights (60:40) Index Fund Over 15 Year Gilts Index Fund AAA-AA Fixed Interest Over 15 Year Fund AAA-AA-A Corporate Bond Over 15 Year Over 5 Year Index-Linked Gilts Index Fund Cash Fund	Track Index	See Appendix 2
Diversified Fund	To provide long-term growth via a diversified asset mix	
Managed Property Fund	To outperform index	
Future World Annuity Aware Fund	To match typical non-inflation linked annuity	

Appendix 4 – Fees

Manager Fees:

Manager	Fund	Fees (p.a.)
LGIM	UK Equity Index Fund	First £10m 0.10% Next £10m 0.075% Next £30m 0.060%
LGIM	World (ex-UK) Equity Index Fund – GBP Currency Hedged	First £5m 0.243% Next £10m 0.213% Next £35m 0.183% Over £50m 0.153%
Partners	Partners Fund	1.5% plus 12.5% performance fee
LGIM	Maturing Buy and Maintain Credit Funds	0.15%
LGIM	Over 15 Year Gilts Index Fund and single stock index-linked gilt funds	For each Fund: First £5m 0.1% Next £5m 0.075% Next £20m 0.05% Over £30m 0.03%
LGIM (DC Section)	UK Equity Index Fund World (ex UK) Equity Index Fund Global Equity Fixed Weights (50:50) Index Fund Global Equity Fixed Weights (60:40) Index Fund Managed Property Fund Diversified Fund Future World Annuity Aware Fund Over 15 Year Gilts Index Fund AAA-AA Fixed Interest Over 15 Year Fund AAA-AA-A Corporate Bond Over 15 Year Fund Over 5 Year Index-Linked Gilts Index Fund Cash Fund	0.100% 0.220% 0.165% 0.160% 0.700% 0.300% 0.150% 0.100% 0.150% 0.150% 0.100% 0.125%

Investment Consulting Fees:

The investment consultancy services are provided by Buck who are remunerated primarily on a time cost basis but also operate on a fixed fee basis for certain projects. The basis of remuneration is kept under review.