

Panasonic Manufacturing UK Limited Pension & Assurance Scheme

Implementation Statement

For the year ended 5 April 2024

Introduction

This Implementation Statement (the "Statement") has been prepared by the Trustee (the "Trustee") of the Panasonic Manufacturing UK Limited Pension & Assurance Scheme (the "Scheme") to demonstrate how the Trustee has acted on certain policies within the Statement of Investment Principles ("SIP").

This Implementation Statement covers the Scheme year from 6 April 2023 to 5 April 2024 and has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit ("DB") investments held by the Scheme.

Trustees of pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including (where applicable) a description of their voting behaviour, the most significant votes cast and any use of proxy voting on their behalf over the year.

SIP policies

This Implementation Statement should be read in conjunction with the Scheme's SIP covering the year under review, which provides details of the Scheme's investment policies along with details of the Scheme's governance structure and objectives.

The Scheme's SIP includes policies on:

- How "financially material considerations" including environmental, social and governance ("ESG") considerations, are taken into account when making investment decisions for the Scheme.
- The extent to which non-financial matters are taken into account in the investment decision-making process.
- Stewardship and voting policies, including details on monitoring and engaging with the companies in which they invest (and other relevant stakeholders) on relevant matters (including performance, strategy, risks, corporate governance, ESG, capital structure and the management of actual or potential conflicts of interest).
- A policy on monitoring the Scheme's asset managers, particularly concerning financial arrangements and ESG factors.
- A policy covering the duration of arrangements with the Scheme's investment manager.

During the Scheme year, the Scheme received proceeds from the Lothbury UK Property Trust following the redemption request submitted to redeem the full holding on 3 April 2023. Proceeds from this redemption were used to increase the Scheme's allocation to global equities towards the strategic benchmark, and the Scheme's SIP was updated in October 2023 to reflect the divestment.

This Implementation Statement reviews the voting and engagement activities covering the 12-month period to the Scheme year-end and the extent to which the Trustee believes the policies within the SIP have been followed.

The Scheme was invested in pooled funds over the Scheme year under review to 5 April 2024. It is therefore the investment managers of those pooled funds that are responsible for the policy on taking ESG considerations into account in the selection, retention and realisation of investments within the pooled investment vehicles and 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.

The Trustee expects the investment managers to engage with investee companies (and other relevant persons including, but not limited to, investment managers, and 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.

How Voting and Engagement Policies Have Been Followed

The Trustee reviews a summary of the voting and engagement activity taken on its behalf on a regular basis. The information published by the investment managers on their voting policies has provided the Trustee with comfort that the Scheme's voting and engagement policies have been followed during the Scheme year to 5 April 2024.

A summary of the voting and engagement topics that the Trustee expected the investment managers to engage on over the year are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of Trustee?	Comments
Performance of debt or equity issuer	✓	The voting and engagement that has been undertaken by the investment managers aims to improve the long-term future performance of the investee companies.
Strategy and Corporate Governance	✓	<p>The Trustee believes that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that the appropriate governance structures need to be in place. These include the separation of duties between the board and the CEO, as well as policies covering independence, diversity and remuneration.</p> <p>The investment managers have clear voting policies covering each of these topics and have acted on them throughout the Scheme year on behalf of the Trustee.</p>
Risks	✓	<p>The investment managers have clear voting and engagement policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>Following review of their key themes for engagement, LGIM identified digitisation as a financially material risk for clients' portfolios and have published their expectations for how companies manage digitisation-related risks. Over 2023, LGIM has focused on the governance aspect of AI and now expects all underlying investee companies to have a board member or committee which is accountable for AI risk oversight and strategy.</p>
Social and environmental impact	✓	<p>LGIM has acted against almost 300 companies in 2023 under its Climate Impact Pledge in order to hold directors to account for their management of climate risk. This included two companies being divested, and one company being reinstated. LGIM's Climate Impact Pledge now covers more than 5,000 companies across 20 climate-critical sectors.</p> <p>During 2023, to promote diversity at the board level, LGIM voted against the board chair of UK and US companies where there was insufficient gender representation on the executive committee, or the board did not include at least one person from an ethnic minority background. Over 2023, in line with this policy LGIM voted against NVIDIA Corporation, Tesla Inc, Thermo Fisher Scientific Inc and others on these grounds.</p> <p>Macquarie has set interim Greenhouse Gas (GHG) emission reduction targets for each of the portfolio companies it works with, and developed Board-approved business plans that align with global net zero by 2040 or sooner if possible.</p> <p>In addition, Macquarie supports its portfolio companies to embed Diversity, Equity and Inclusion practices in their business. Over the year to 31 March 2024, Macquarie has focused on upskilling portfolio company nominee Directors to enhance the progress of these practices.</p>

Conflicts of interest	✓	Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period under review, LGIM voted against incentive awards which did not have performance conditions or where clear guidelines were not in place, as these awards would not align remuneration with company performance. For example, LGIM voted against Banco Santander SA's remuneration policy because awards are permitted to vest for below median relative performance.
Capital structure	✓	LGIM has policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance. For example, LGIM has advocated for equal voting rights under a 'one share, one vote' standard and voted for a resolution to approve a recapitalisation plan for all Alphabet Inc. stock to have one vote per share.

Description of voting behaviour

The Scheme's voting behaviour over the Scheme year is summarised below.

The LGIM Future World Global Equity Fund was the only investment held by the Scheme that carried voting rights during the Scheme year. The responsibility for exercising the voting rights of the shares held by the Scheme sits with LGIM as the investment manager of the Fund.

The table below shows LGIM's voting summary covering the Scheme's investment in the Future World Global Equity Fund Index – GBP Hedged. It should be noted that LGIM is currently only able to provide voting statistics for 12-month periods to quarter-ends. Therefore, we have included voting information covering the most relevant 12-month period from 1 April 2023 to 31 March 2024.

LGIM Future World Global Equity Fund – GBP Hedged	1 April 2023 – 31 March 2024
Number of meetings LGIM was eligible to vote at over the year to 31 March 2024	5,134
Number of resolutions LGIM was eligible to vote on over the year to 31 March 2024	52,212
Of the eligible resolutions, percentage that LGIM voted on.	99.9%
Of the resolutions voted, percentage that LGIM voted with management.	80.3%
Of the resolutions voted, percentage that LGIM voted against management.	19.5%
Of the resolutions voted, percentage where LGIM abstained.	0.3%
Percentage of eligible meetings where LGIM voted at least once against management.	63.3%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of its proxy advisor	11.1%

Note: Totals may not sum due to rounding.

Proxy voting

The Trustee did not employ a proxy-voting service during the Scheme year to 5 April 2024.

LGIM votes by proxy through the Institutional Shareholder Service's ('ISS') electronic voting platform as given the scale of its holdings, the manager cannot be present at shareholder meetings to cast votes. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service.

Significant Votes

LGIM has provided details of its voting actions including a summary of the activity covering the reporting year up to 31 March 2024. The Trustee has adopted the manager's definition of significant votes and has not set stewardship priorities. LGIM has provided examples of votes it deems to be significant, and the Trustee has shown the votes relating to the greatest exposure within the Scheme's investment.

Example 1: LGIM Future World Global Equity Fund – GBP Hedged	
Vote Details	Microsoft Corporation, 07/12/2023.
Approximate size of fund's holding as at date of vote	5.47% of Future World Global Equity Fund – GBP Hedged.
Rationale for significance	LGIM considers this vote to be significant as it is an application of the escalated vote policy on the topic of combination of Board Chair and CEO roles.
Voting decision	LGIM voted against the election of a Director at Microsoft Corporation. LGIM expects companies to separate their roles of Board Chair and CEO due to risk management and oversight concerns.
Voting against management	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Typically, it is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.
Vote outcome	Pass
Next Steps	LGIM will continue to engage with the investee company, publicly advocate its position on this issue and monitor company and market-level progress.

Example 2: LGIM Future World Global Equity Fund – GBP Hedged	
Vote Details	Apple Inc., 28/02/2024.
Approximate size of fund's holding as at date of vote	4.46% of Future World Global Equity Fund – GBP Hedged.
Rationale for significance	LGIM considers this vote to be significant as it relates to diversity. LGIM believes diversity is a financially material issue for its clients with implications for the assets managed on its clients' behalf.
Voting decision	LGIM voted against Apple reporting on the risks of omitting viewpoint and ideological diversity from its Equal Employment Opportunity policy. LGIM is satisfied with the level of pre-existing disclosure around diversity and non-discriminatory practices provided to shareholders by Apple. LGIM also does not consider this specific reporting topic to be a standard industry practice.
Voting against management	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Typically, it is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.
Vote outcome	Fail
Next Steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies. Non-equity investments, such as the Scheme’s corporate bond holdings, can also include engagement activities but these investments do not carry voting rights.

The Trustee expects the investment managers to engage on its behalf to aim to influence the underlying investee companies in respect of the ESG and stewardship matters outlined in the table above. The Trustee does however recognise that the respective investment processes and often illiquid nature of the alternative investments may mean that stewardship is potentially less applicable or may have a less tangible financial benefit. Nonetheless, the Trustee still expects that all their managers should open a dialogue to engage with issuers/companies they invest in should they identify concerns that may be financially material.

Not all investment managers shared information directly relating to the specific period covering the Scheme year and so information has been included as provided.

LGIM Future World Equity, Maturing Buy & Maintain Bucket Funds, and LDI Portfolio

LGIM actively engages with the investee companies via direct messages and meetings with management and engagements via email to influence positive ESG practices. It is also noted that there is substantial overlap between the companies in which LGIM holds debt and equity and so, while the corporate bonds mandate does not hold voting rights, LGIM’s position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM has on each company’s practices.

Over the 12 months to 31 March 2024, LGIM undertook 2,144 engagements with 2,006 companies at the firm level. Some engagements cover multiple topics and LGIM has provided the following summary:

- 1,820 on environmental topics;
- 274 on social topics;
- 528 on governance issues; and
- 119 on other topics including finance and strategy.

LGIM has begun to release fund specific engagement statistics, with the following table summarising the engagements undertaken on a fund-by-fund basis. Data for the Future World Global Equity– GBP Hedged Fund and the Buy and Maintain Credit Funds relates to the year to 31 March 2024.

	Total Engagements	No. Unique Companies Engaged	% of eligible fund value engaged	Environmental Topics	Social Topics	Governance Topics	Other Topics
Future World Global Equity Fund – GBP Hedged	795	530	42%	463	195	275	67
Maturing Buy and Maintain Credit Fund 2035-2039	82	43	34%	37	35	42	16
Maturing Buy and Maintain Credit Fund 2040-2054	100	52	22%	39	43	55	18

The Scheme was invested in leveraged nominal and index-linked government bonds and interest rate and inflation swaps through the LGIM Matching Core Funds. These funds are held with the purpose of reducing risk by hedging a proportion of the exposure to interest rate and inflation inherent in the Scheme’s liabilities. LGIM has governance practices in place to capture key regulatory developments which might influence the future management and performance of these hedging assets.

Fidera Dislocated Asset Fund III

Over 2024 the assessment of Project Beverly, the Fund’s investment in a hotel in Rome, indicated that the building would be upgraded to an excellent rating under the Building Research Establishment Environmental Assessment Method’s (“BREEAM”) sustainability certification. The upgrade comes as a result of Fidera working with the asset management team to complete a refurbishment of the property which included installation of a solar power system, electrical vehicle charging stations and LED lighting.

Macquarie European Infrastructure Fund IV and V

Macquarie's approach is materiality-based in that it places emphasis on the ESG issues that are meaningful to each business and its employees, and the industry and community in which each portfolio company operates. Over the 2024 financial year, Macquarie identified 8 focus areas for engagement including climate change, business conduct and ethics, and community. Where climate-related risks have been identified as material, Macquarie encourages its portfolio companies to address this at the board level.

Over the year to 31 March 2024, Macquarie supported portfolio companies in the implementation of net zero business plans while continuing to enhance the availability and quality of underlying greenhouse gas (GHG) emissions data.

Leadenhall Value Fund and Diversified Fund

As an example of Leadenhall's ongoing engagement, Leadenhall engaged with Tower Hill following Hurricane Ian due to concerns that they were under-reserving compared to the wider market. Following the engagement, the counterparty has since made significant reserve increases but Leadenhall downgraded its internal ESG rating of their catastrophe bond to a red rating (on a red/amber/green scale). For the rating to be upgraded, Leadenhall has confirmed it needs to see more stringent reserving practices immediately post insurance events.

Brockton Capital Fund III

For the one remaining investment a new ESG department has been established to create a strategy and framework which aligns with the business and wider regulatory requirements. The ESG department has introduced sustainability procedures focused on developing higher performance buildings and improving operational efficiency and are undertaking carbon studies across developments to further understand Scope 3 emissions.

Extent to which Trustee's policies have been followed during the year

Having reviewed the actions taken by the investment managers over the Scheme year, the Trustee believes that the policies on stewardship and engagement have been implemented appropriately over the year and in line with its views. The Trustee will continue to monitor the actions taken on its behalf each year.

If the investment managers deviate substantially from the Trustee's stated policies, the Trustee will initially engage and discuss this with each investment manager, and if the Trustee still believes the difference between its policies and the investment manager's actions are material, the Trustee will consider terminating and replacing the mandate if necessary.