

Panasonic Manufacturing (UK) Limited Pension & Assurance Scheme

Implementation Statement

For the year ended 5 April 2025

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 2024 to 5 April 2025 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 Trustee fully divested the Scheme's investment grade credit holdings due to changes in market conditions. The Trustee also reduced the Scheme's allocation to global equities to reduce risk within the investment strategy following an improvement in the Scheme's funding position. The Trustee used a proportion of the proceeds to make new investments in two alternative credit funds - the Legal & General Global Unconstrained Bond Fund and the Aegon European Asset-backed Securities Fund. Proceeds were also used to increase the Scheme's allocation to LDI in order to replace lost interest rate exposure from selling corporate bonds. The Scheme's SIP has been updated post Scheme year end to reflect these changes.

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 2025. 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, 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 2025.

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	✓	The Trustee believes that a company board's duty is to decide the appropriate 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. 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. For example, LGIM also expects separation of duties between the board and the CEO. LGIM's policy from 2021 is to vote against all elections which combine the roles of CEO and Chair. LGIM continued to vote against electing directors of JPMorgan Chase & Co, Johnson and Johnson, and Berkshire Hathaway Inc. alongside several others, in line with this policy.
Risks	✓	The investment managers have clear voting and engagement policies on ensuring that companies manage risk effectively and have robust internal controls. Over the Scheme year, LGIM voted in favour of a resolution from Microsoft Corporation to report on AI Data Sourcing Accountability. A vote in favour was applied as LGIM recognises the company is facing increased legal and reputational risks related to copyright information associated with its data sourcing practices. Whilst LGIM acknowledges the strength of existing disclosures on related AI risks, LGIM believes shareholders would benefit from greater attention on the use of third-party information to train large language models.
Social and environmental impact	✓	In 2024, LGIM's Climate Impact Pledge covered 55% of total corporate securities by value, and 82% of total carbon emissions attributable to L&G's Asset Management business's corporate equity and debt holdings. The Climate Impact Pledge aims to hold directors to account for their management of climate risk. As a result, 37 companies were identified for voting sanctions and 2 more companies were added to LGIM's divestment list. For example, LGIM voted against Broadcom Inc. on the appointment of Henry Samueli as Director based on the company falling behind minimum climate risk management standards.

		Macquarie has set interim Greenhouse Gas (GHG) emission reduction targets for each of the portfolio companies it works with and has developed Board-approved business plans that align with global net zero by 2040 or sooner if possible. For example, over the Scheme year MEIF5's investment in Exolum, a Spanish specialist in transportation and storage of oil products, completed key milestones in its net zero strategy which included signing two new power purchase agreements for solar and wind energy.
Conflicts of interest	✓	Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period, LGIM voted against a one-off award for a non-executive officer at Tesla. The executive had received a large, time-based stock option upon promotion, over a period in which most non-executive officers received modest or no compensation. LGIM voted against the one-off award as it believed the approved and existing remuneration policy in place was sufficient to retain and motivate executives. Aegon encourages companies to limit the use of benchmarking data when setting remuneration levels for Board members and to ensure comparators reflect the company's specific circumstances. Aegon also does not support one-off bonuses to reward one-off events as the full result of such events may not be known for some time afterward.
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 policies that newly issued shares should not expose minority shareholders to excessive dilution. LGIM also has policies that protect minority shareholder rights including "one share, one vote" to avoid the weakening of corporate governance as investors ability to influence and hold directors accountable would be reduced. As such LGIM against 258 companies with 'dual class' share structures in line with this voting policy over 2024.

Description of voting behaviour

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

The LGIM Future World Global Equity Fund – GBP Hedged 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 2024 to 31 March 2025.

LGIM Future World Global Equity Fund – GBP Hedged		1 April 2024 – 31 March 2025
Number of meetings LGIM was eligible to vote at over the year to 31 March 2025		5,515
Number of resolutions LGIM was eligible to vote on over the year to 31 March 2025		55,096
Of the eligible resolutions, percentage that LGIM voted on.		99.8%
Of the resolutions voted, percentage that LGIM voted with management.		81.0%
Of the resolutions voted, percentage that LGIM voted against management.		17.9%

Of the resolutions voted, percentage where LGIM abstained.	1.1%
Percentage of eligible meetings where LGIM voted at least once against management.	58.6%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of its proxy advisor	9.7%

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 2025.

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 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 2025. The Trustee has adopted the manager's definition of significant votes and 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, 10/12/2024
Approximate size of fund's holding as at date of vote	4.9% of Future World Global Equity Fund – GBP Hedged
Rationale for significance	LGIM considers this vote to be significant as it is classed as a high-profile meeting due to the relatively high level of support received.
Voting decision	LGIM voted in favour of the proposal for the company to report on AI Data Sourcing due to increased legal and reputational risks.
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. LGIM pre-declared its vote intention for this resolution.
Vote outcome	Fail
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	Amazon Inc., 22/05/2024
Approximate size of fund's holding as at date of vote	1.8% of Future World Global Equity Fund – GBP Hedged
Rationale for significance	LGIM considers this vote to be significant due to Amazon's status as a large employer and industry leader. LGIM believes that Amazon's approach to human capital management issues has the potential to drive improvements in its industry and supply chain.

Voting decision	LGIM voted in favour of Amazon reporting on customer due diligence. LGIM acknowledges Amazon's disclosure of internal reviews but believes there is still a need for increased transparency and public availability on this topic.
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. LGIM pre-declared its vote intention for this resolution.
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 asset-backed securities and absolute return bond investments, 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 its 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 Global Equity, Global Unconstrained Bond Fund, 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 bond 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 2025, LGIM undertook 4,459 engagements with 4,210 companies at the firm level. Some engagements cover multiple topics and LGIM has provided the following summary:

- 3,971 on environmental topics;
- 647 on social topics;
- 330 on governance issues; and
- 155 on other topics including finance and strategy.

LGIM has provided 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 Global Unconstrained Bond Fund relates to the year to 31 March 2025.

	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	1,944	1,274	64%	1,331	440	292	143
Global Unconstrained Bond Fund	355	119	62%	224	91	74	48

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.

Aegon Asset-backed Securities Fund

Aegon believes active engagement with companies to improve ESG performance and corporate behaviours is more effective than excluding companies from its investment universe. Aegon engages with companies directly or collectively with other shareholders.

Over 2024, Aegon Asset Management's UK Responsible Investment team conducted 275 engagements with 194 companies at the Firm level. This was in addition to around 1,000 company meetings conducted by the equity and credit teams directly. Aegon has provided the following summary of the most notable topics discussed, noting some engagements covered multiple topics:

- 82% on climate change;
- 45% on human and labour rights;
- 50% on remuneration; and
- 16% on board effectiveness.

Aegon has also provided the following engagement statistics for the European Asset-backed Securities Fund over the year to 31 March 2025.

	Total Engagements	No. Unique Companies Engaged	% of eligible fund value engaged	Environmental Topics	Social Topics	Governance Topics	Other Topics
Aegon Asset Backed Securities Fund	109	87	Not Provided	25	2	38	44

Fidera Dislocated Asset Fund ("FDAF") III

Over the year to 31 March 2025, FDAF has sought to redevelop existing real estate within 'Project Marley' – an office development in Paris – focusing on environmentally responsible methods of maintenance and limiting demolition waste where possible. Fidera have been working alongside a number of operating partners who have a deep knowledge of the asset to ensure alignment of ESG interests and the assets strategy.

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 underlying asset and its employees, and the industry and community in which each portfolio company operates. Over the year to 31 March 2025, Macquarie had ongoing engagements covering a number of ESG topics such as engaging on its Net Zero commitment, stakeholder communications and safety in the workplace.

Macquarie supports its portfolio companies in embedding appropriate diversity, equity and inclusion practices in their businesses with appropriate Board-level oversight. Over 2024, Macquarie has maintained its commitment to more inclusive Boards and launched a self-identification campaign for Board members which has highlighted that the average percentage of female board members for MEIF5 portfolio companies is 18%.

Brockton Capital Fund III

For the one remaining investment, The Office Group team are in the process of assessing various measures that could be taken across the portfolio to reduce the carbon footprint. The manager is hoping that these measures will allow it to make a carbon reduction commitment in late 2025 or in early 2026.

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.