

Panasonic Manufacturing UK Limited Pension & Assurance Scheme

Implementation Statement

For the year ended 5 April 2022

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 2021 to 5 April 2022 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 SIP was updated to reflect changes in the Scheme’s investment strategy which included disinvesting from the LGIM 6A Over 15 Year Corporate Bond Fund, the M&G Long dated Corporate Bond Fund, the M&G All Stocks Corporate Bond Fund, the BlackRock Euro and Sterling Liquidity Funds, the MFS Global Equity Fund, and the Majedie UK Equity Fund in May 2021. The Scheme also disinvested from the Newton Real Return Fund and the Muzinich High Yield Bond Fund in October 2021. The proceeds were invested in new allocations in the LGIM Future World Global Equity Index Fund – GBP Hedged, the LGIM Buy & Maintain Credit Funds, the LGIM Matching Core Real Long Fund and the LGIM Sterling Liquidity Fund over the period from May to December 2021.

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 primarily invested in pooled funds over the Scheme year under review to 5 April 2022. 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. These responsibilities also lay with MFS as the investment manager for the Scheme’s global equity mandate, that was not operated on a pooled fund basis, while the Scheme was invested with that manager from 6 April 2021 to 17 May 2021. 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.

Description of voting Behaviour

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

The investments held by the Scheme that carried voting rights during the Scheme year were the Majedie UK Equity Fund, the Newton Real Return Fund, the MFS Global Equity Fund and the LGIM Future World Global Equity Fund. The responsibility for exercising the voting rights of the shares held by the Scheme sits with the investment managers.

The table below shows Majedie's voting summary covering the Scheme's investment in the Majedie UK Equity Fund, within which the Scheme was invested from 6 April to 17 May 2021.

Majedie UK Equity Fund	6 April 2021 – 17 May 2021
Number of meetings Majedie voted at over the period	43
Number of resolutions Majedie was eligible to vote on over the period	770
Of the eligible resolutions, percentage that Majedie voted on.	100.0%
Of the resolutions voted, percentage that Majedie voted with management.	96.5%
Of the resolutions voted, percentage that Majedie voted against management.	3.5%
Of the resolutions voted, percentage where Majedie abstained .	0.0%
Percentage of eligible meetings where Majedie voted at least once against management.	44.0%
Percentage of voted resolutions where Majedie voted contrary to the recommendation of their proxy adviser.	2.3%

The table below shows Newton's voting summary covering the Scheme's investment in the Real Return Fund, which the Trustee was invested in until October 2021. Newton is only able to provide voting statistics for 12-month periods to standard quarter-ends rather than actual periods invested, therefore we have included voting information covering the most relevant 12-month period from 1 April 2021 to 31 March 2022, noting the Scheme only held investment in the Fund until 20 October 2021.

Newton Real Return Fund	1 April 2021 – 31 March 2022
Number of meetings Newton was eligible to vote at over the year	98
Number of resolutions Newton was eligible to vote on over the year	1,476
Of the eligible resolutions, percentage that Newton voted on.	99.2%
Of the resolutions voted, percentage that Newton voted with management.	83.9%
Of the resolutions voted, percentage that Newton voted against management.	16.1%

Of the resolutions voted, percentage where Newton abstained .	0.0%
Percentage of eligible meetings where Newton voted at least once against management.	47.0%
Percentage of voted resolutions where Newton voted contrary to the recommendation of their proxy adviser.	11.7%

The table below shows MFS' voting summary covering the Scheme's investment in the global equity mandate, within which the Scheme was invested until 17 May 2021.

MFS – Segregated global equity mandate	1 April 2021 – 17 May 2021
Number of meetings MFS was eligible to vote at over the period	22
Number of resolutions MFS was eligible to vote on over the period	327
Of the eligible resolutions, percentage that MFS voted on.	86.9%
Of the resolutions voted, percentage that MFS voted with management.	92.3%
Of the resolutions voted, percentage that MFS voted against management.	7.7%
Of the resolutions voted, percentage where MFS abstained .	0.0%*
Percentage of eligible meetings where MFS voted at least once against management.	73.7%

* Abstain votes are counted as votes against management by MFS when management has issued a recommendation on a proposal. If management has not issued a recommendation, all vote instructions (including abstentions) are counted by MFS as being with management.

The table below shows LGIM's voting summary covering the Scheme's investment in the Future World Global Equity Fund Index – GBP Hedged, within which the Scheme was invested from 17 May 2021 to the Scheme year end. Similar to Newton, LGIM is currently only able to provide voting statistics for 12-month periods to standard quarter-ends, rather than the actual periods invested. Therefore, we have included voting information covering the most relevant 12-month period from 1 April 2021 to 31 March 2022, noting that the Scheme only held investments in the Fund from 17 May 2021.

LGIM Future World Global Equity Index Fund – GBP Hedged	1 April 2021 – 31 March 2022
Number of meetings LGIM was eligible to vote at over the year	4,465
Number of resolutions LGIM was eligible to vote on over the year	47,851
Of the eligible resolutions, percentage that LGIM voted on.	99.9%
Of the resolutions voted, percentage that LGIM voted with management.	81.7%
Of the resolutions voted, percentage that LGIM voted against management.	17.4%
Of the resolutions voted, percentage where LGIM abstained .	0.8%
Percentage of eligible meetings where LGIM voted at least once against management.	61.9%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	10.7%

Proxy Voting

The Trustee did not employ a proxy-voting service during the Scheme year to 5 April 2022.

Majedie votes by proxy through the Institutional Shareholder Service's ('ISS') electronic voting platform. Majedie's voting guidelines are to vote in line with ISS' recommendation where ISS and management's recommendations are in agreement. In cases where ISS and management's recommendations are not in agreement, Majedie makes its own voting decision. Majedie can exercise its own voting decisions in any case and override ISS' recommendations where it is appropriate to do so. Generally, Majedie does not consult with clients before voting.

Newton also uses ISS' proxy voting service and employs a variety of research providers to support in the vote decision-making process. Newton makes the voting decision for each resolution and only follows ISS' voting recommendation when there is a potential material conflict of interest.

Similar to Newton, MFS uses ISS' proxy voting service and employs a variety of research providers to support in the vote decision-making process. MFS' voting decisions are not defined by any proxy advisory firm's recommendation and the MFS Proxy Voting Policies and Procedures govern how MFS will generally vote on specific resolutions.

Finally, LGIM also votes by proxy through the 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.

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 2022.

As set out in the SIP, the Trustee expects the investment managers to engage with investee companies 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.

A summary of the voting and engagement topics that the Trustee expected Majedie, Newton, MFS and LGIM 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 which the investment managers undertake aims to improve the long-term future performance of investee companies.
Strategy and Corporate Governance	✓	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. 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.
Risks	✓	The investment managers have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls. As an example of reducing risk, the investment managers encourage all audit committees to consist solely of independent directors.
Social and Environmental impact	✓	Majedie carries out a materiality assessment for each portfolio company to determine the most material issues for each investment, which enables them to prioritise engagement topics. Majedie has built on its materiality assessments by focusing on the carbon exposures of its energy companies

		<p>and engaging holdings directly on diversity measures including female representation at board level and steps to promote women and ethnic minorities already within the business. An example of engagement on environmental issues is when Majedie engaged with Newmont due to concerns over the company's potential costs arising from a large exposure to carbon risk. Majedie discussed this topic with Newmont's CEO and ESG team, who have now partnered with a third party to develop autonomous, net-zero carbon mining systems.</p> <p>Newton prioritises engagements based on ESG themes that are a focus for them, which includes climate change. In 2021, Newton joined the Net Zero Asset Managers initiative to further demonstrate their commitment to working with investee companies to fulfil their net-zero ambitions and help navigate portfolios through energy transitions. For example, Newton engage with companies to encourage robust policies with regard to sustainable sourcing of raw materials in order to create a more stable supply chain.</p> <p>In addition to direct engagement, MFS participated in a number of collaborative engagements during 2021. On the climate side, MFS continued to actively contribute to multiple Climate Action 100+ engagements and to the work of the ShareActionWorkforce Disclosure Initiative, by participating as a panellist on a webinar hosted by the organisation which focused on how companies treat their employees with the goal of improving both the quantity and quality of company disclosure on employee management practices.</p> <p>LGIM has acted against over 100 companies in 2021 under their Climate Impact Pledge in order to hold directors to account for their management of climate risk. LGIM have also developed a toolkit, LGIM's Destination@Risk, to model energy transition scenarios and translate these into company, sector and portfolio level implications. During 2021, to promote diversity at the board level, LGIM voted against the election of 370 directors globally due to concerns about board diversity. LGIM stated that in 2022, they will begin to vote against the board chair of UK companies with no ethnic diversity on their board.</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, the investment managers voted against incentive awards which did not have appropriate performance conditions, as these awards would not align remuneration with company performance.
Capital Structure	✓	<p>The investment managers have policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance.</p> <p>For example, LGIM has a policy that newly issued shares should not expose minority shareholders to excessive dilution.</p>

Significant Votes

Majedie, Newton and MFS and LGIM have provided examples of what they believe to be the most significant votes cast on behalf of the Trustee during the period.

Majedie voted against a remuneration policy at AstraZeneca, as the company proposed significant increases to variable pay rewards to senior executives for the second consecutive year. Majedie did not agree with the rationale behind this decision, nor did they think the company had provided the necessary justification for the new policy.

Newton supported three shareholder resolutions which requested Microsoft Corporation to publish reports on its gender and racial pay gaps, the effectiveness of its workplace sexual harassment policies, and how its direct and indirect lobbying activities align with its corporate policies. Newton believes that greater transparency of these policies allows shareholders to better assess the company's diversity and inclusion initiatives. Newton voted against a share issuance at Greencoat UK

Wind Plc due to concerns over the discount to market price at which the shares would be issued, and that these shares would not necessarily be offered to existing shareholders.

MFS voted in favour of a proposal requesting Union Pacific to publish an annual report assessing DE&I efforts. MFS felt the vote in favour of the report was appropriate as additional diversity-related disclosures would provide shareholders with more information in order to assess the effectiveness of the company's ongoing diversity initiatives and its management of related risks. MFS also voted in favour of a shareholder proposal requesting that Charles Schwab Corporation allow the declassification of the board of directors. MFS believe shareholders' ability to withhold votes from, or vote against, directors is a powerful mechanism through which shareholders may express dissatisfaction with the company or director performance.

LGIM voted against the election a director at Microsoft Corporation due to the named person have the role of CEO of the company. LGIM expects companies to separate the roles of Chair and CEO for reasons of risk management and oversight. This vote is aligned with LGIM's Investment Stewardship team's five-year ESG priority engagement themes. In addition, LGIM voted in favour of Apple Inc committing to completing a civil rights audit, as the investment manager supports proposals related to diversity and inclusion policies given these issues are considered to be a material risk to companies.

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 6A Over 15Y Corporate Bond Index Fund, 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 practice. 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.

While engagements are not yet available at a fund level, they are published at a firm level each quarter. LGIM is working to be able to provide engagement information at a fund specific level.

Over the 12 months to 31 March 2022, LGIM undertook 696 engagements with 593 companies. Some engagements cover multiple topics and LGIM has provided the following summary:

- 340 on environmental topics;
- 271 on social topics;
- 332 on governance issues; and
- 97 on other topics including finance and strategy.

The Trustee will monitor LGIM's reporting to see if more detail at a fund level can be provided in the future for monitoring purposes.

M&G Long Dated Corporate Bond Fund and All Stocks Corporate Bond Fund

Given the limited upside and potential significant downside of fixed income investments, the focus of M&G's ESG analysis is on understanding downside risks. M&G considers it important to engage with fixed income issuers in order to gain a better understanding of ESG risks, as well as to encourage improved ESG practices.

Over 2021, M&G's Fixed Income team carried out 568 interactions with companies where ESG matters were discussed, with the most common issue being environmental concerns.

Within the funds the Scheme was invested in, M&G met with Fiserv to encourage the US fintech company to deliver better disclosure and to highlight the need for clear environmental objectives, in line with the company's peers. The company explained that it has just published its first sustainability report and are working toward announcing new environmental targets.

Mining business BHP were issued an ISS' UN Global Compact red flag following a dam disaster in Brazil. M&G met with the company in order to encourage the acceleration of its remediation work at the site, which includes the relocation of a village which had been destroyed in the disaster. M&G emphasised the potential cost of compensation due from the company and will continue to monitor the evolving situation.

Muzinich Europeyield Fund

Muzinich engages on ESG matters strategically where they believe there are most likely to be able to influence positive ESG outcomes and improve corporate ESG disclosures. Muzinich has increased the recording of engagement activities, which are now reported on at the individual strategy level.

Muzinich typically prioritises engagements based on criteria including investment exposure, severity of the ESG issue, target industry, expectations of access to management and the likelihood of a positive outcome. Prioritisation of engagement activity is important for Muzinich as they believe more targeted engagements can be more effective.

In September 2021 Muzinich updated the ESG policy for this fund with a new criteria for coal exclusion, which effectively reduced the revenue threshold for coal miners and coal-based energy from 30% to 10%, with exceptions for companies with credible decarbonisation strategies. Contour Global, an energy utility company with thermal and renewable assets across Europe, is reported to generate around 20% of its revenues from coal-powered energy. Muzinich engaged with this issuer to determine whether the company had plans to decommission its thermal coal assets or reduce its overall reliance on thermal coal within the next five years. As the company is committed to its concession with the Hungarian government to continue to run its largest thermal coal assets, Muzinich took the decision to divest holdings in Contour Global bonds from all relevant portfolios.

Lothbury Property Trust

Lothbury has initiatives in place to actively engage with the tenants of the properties held within the portfolio on ESG matters with focus areas being energy efficiency, water management and waste reduction. During the year to 31 March 2022, 20 engagements were undertaken with Lothbury Property Trust Fund tenants to try and reduce energy consumption and identify sustainability improvement opportunities at the assets. For the design and construction of new buildings and redevelopments, Lothbury has a target to achieve a minimum BREEAM Sustainability Rating of Very Good.

Lothbury is also implementing targets to audit and improve the environmental performance of the existing portfolio of properties. These will cover energy use and CO2 emissions, water use, waste management and recycling. As part of this review, Lothbury is assessing the portfolio for opportunities to install solar panels to boost the amount of energy provided by renewable sources.

Macquarie European Infrastructure Fund IV and V

Macquarie's approach is materiality-based in that they place 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. Where climate-related risks have been identified as material, Macquarie encourage their portfolio companies to address this at the board level.

Macquarie is a member of GRESB Infrastructure and GRESB Real Estate and has been recognised as a sector leader in the 2021 GRESB assessment results for the third year running. GRESB provides an annual assessment of the sustainability framework and performance of infrastructure and real estate funds and businesses.

During 2021, Macquarie worked closely with portfolio companies to report and verify their Scope 1 and 2 emissions, set emissions targets, and develop board approved business plans that align with global net zero by 2040 or sooner. This included delivering 14 net zero workshops which were attended by 91 portfolio companies. To date, all assets of MEIF4 and MEIF5 have implemented emissions reporting, with some companies also implementing third party verification of Scope 1 and 2 emissions.

Leadenhall Value Fund and Diversified Fund

In March 2021, Leadenhall adopted a Sustainability Risks (ESG) Policy, which sets out Leadenhall's commitment to responsible investing and the assessment of ESG risks in its analysis of insurance-linked investments. As part of Leadenhall's broader risk management processes when investing, it has implemented procedures to identify, measure, manage and monitor sustainability risks. Leadenhall has also been conducting its own as well as sponsored third-party research on the measurement and modelling of the impact of climate change.

Leadenhall is currently building a framework which captures key indicators of counterparties for environmental and social factors. Leadenhall has put in place a rating system for catastrophe bonds which now incorporates ESG factors which is being expanded out to Leadenhall's other investments. The rating system is colour coded and is black – non-tradable, amber – limited trading and white – tradable with criteria size limits. As at April end 2022, out of 231 active catastrophe bond issuances, 116 (c. 50%) have been rated white, 93 (c. 40%) have been rated as amber, and 22 (c. 10%) have been rated as black.

York Distressed Asset Fund III

One example of a company engagement that is key to York's Engagement Policy began in December 2018 regarding Project Corfu, an experienced hotel operating partner and 5-star luxury brand. As part of York's Engagement Policy, they promote positive ESG impact within their investments. Through York's operating partner and York's detailed investment monitoring procedures, York encouraged and helped Project Corfu to set waste elimination targets to improve the company's use of recycled materials. Following the engagement, York maintained their investment with the company and continue to work on their sustainability efforts.

Brockton Capital Fund III

One example of a company engagement that was key to Brockton's Engagement Policy was in March 2015 regarding BW Slough Limited. The company wished to redevelop a Grade A Office Building with a strong focus on wellbeing. Brockton worked closely with the developer to achieve the desired objective. The building was the first commercial building in the UK to achieve the WELL Building Standard's Core and Shell Certification, attaining a rating of gold. The WELL Building Standard is an international performance-based assessment methodology grounded in medical research that is exclusively focused on human health and well-being in the built environment. The building also achieved a Platinum ranking (the top award) through WiredScore due to the building's great connectivity and achieved multiple other high sustainability ratings.

How Voting and Engagement Policies Have Been Followed

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 their views. The Trustee will continue to monitor the actions taken on their 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 their policies and the investment manager's actions are material, the Trustee will consider terminating and replacing the mandate if necessary.