Implementation Statement, covering the Plan Year from 21 March 2020 to 20 March 2021

The Trustees of the Panasonic UK Pension Plan (the "Plan") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles ("SIP") during the Plan Year, as well as details of any review of the SIP during the Plan Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12 below.

This Statement uses the same headings as the Plan's SIP dated November 2020 and should be read in conjunction with the SIP.

1. Introduction

The SIP was reviewed and updated during the Plan Year in November 2020 to reflect the following changes and updates:

- replacing the Insight Bonds Plus Fund with the Insight Short Dated Buy and Maintain Bond Fund;
- replacing the additional Voluntary Contributions ("AVC") providers L&G and Equitable Life with ReAssure and Utmost Life & Pensions;
- commenting on the 50% disinvestment from the L&G Managed Property Fund and that the Trustees are reviewing the strategic allocation;
- updating some of the wording around the Plan's Defined Contribution ("DC") arrangements;
- adding extra wording about Environmental, Social and Governance ("ESG") considerations, voting and engagement and manager monitoring; and
- adding some wording around additional risk factors in Appendix 2.

Further detail and the reasons for these changes are set out in Sections 3, 4, 5, and 8. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the policies in the Plan's SIP during the Plan Year. The following Sections provide detail and commentary about how and the extent to which they did this.

2. Investment objectives

Progress against the long-term journey plan is reviewed as part of the semi-annual performance monitoring reports. The Trustees are also able to view the progress on an ongoing basis using LCP Visualise online.

As at 20 March 2021, the Plan was on track to achieve full funding by the target date.

The Trustees continue to believe that the DC default arrangements are consistent with their aims and objectives which are as follows:

- Aim for long-term, real growth while members are far from their target retirement date;
- Gradually reduce the risk taken in the investment strategy as members become close to their target retirement date; and
- Have an asset allocation at the target retirement date that is appropriate and consistent with how most members are expected to take their retirement savings.

The last formal strategy review for the DC section and AVCs took place in September 2018, and the next review is planned to take place in 2021.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the sponsoring employer, reviewed the Defined Benefit ("DB") strategy in May 2020 and November 2020. In May 2020, the Trustees decided to replace the absolute return bonds allocation with short-dated credit, and in November 2020, they decided to invest in a listed infrastructure mandate to replace the partial disinvestment from UK property. The transfers to implement both these changes were carried out in tranches to minimise the risk of transacting at a single unfavourable time in the market.

The Trustees did not review the DC investment strategy over the period. This is typically done on a three year cycle, with the last review carried out in 2018 and next review due to take place later in 2021 (but after the period covered by this statement).

4. Considerations in setting the investment arrangements

When the Trustees reviewed the DB investment strategy they considered the investment risks set out in Appendix 2 of the SIP. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The Trustees reviewed their investment beliefs in November 2020 as part of updating their Statement of Investment Principles. They added the following new investment beliefs to the SIP:

- ESG factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors; and

- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions.

5. Implementation of the investment arrangements

The Trustees appointed Insight Investment Management Ltd ("Insight") in November 2020 to manage the short dated credit investment approved in May 2020, and Legal and General Investment Management ("LGIM") in February 2021 to manage the listed infrastructure investment approved in January 2021.

Before appointing the managers, the Trustees obtained formal written advice from their investment adviser, LCP, and considered the investment process and philosophy, the investment team, past performance and whether the investment portfolios were adequately and appropriately diversified. The Trustees also considered the managers' approaches to responsible investment and stewardship.

LCP also monitors the Plan's investment managers on an ongoing basis through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustees promptly about any significant updates or events they become aware of with regard to the Plan's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Plan invests in, or any material change in the level of diversification in the fund.

The Trustees periodically invite the Plan's investment managers to present at Trustee meetings. Over the period, the Trustees met with LGIM to discuss the Scheme's investments. The Trustees were comfortable with all their investment manager arrangements over the Plan Year.

The Trustees monitor the performance of the Plan's investment managers using performance monitoring reports which are produced by LCP every six months and show the performance of each manager over the previous six months, 1 year and 3 years. Performance is considered in the context of the manager's benchmark and objectives.

Following some concerns regarding UK property as an asset class and the LGIM Managed Property Fund in particular, the Trustees reviewed the allocation to the fund and decided to disinvest 50% of the allocation. As set out above, the Trustees subsequently decided to invest the proceeds in the LGIM Infrastructure Equity MFG Fund. This change is due to be fully implemented by 1 July 2021.

During the year, the Trustees' advisers also carried out an industry wide fee survey in which any clients' fees which are abnormally high are challenged with the managers. Overall, the Trustees believe the Plan's investment managers provide reasonable value for money.

As part of producing the DC Chair Statement in October 2020, the Trustees undertook a value for members assessment which assessed a range of factors, including the fees payable to managers in respect of the DC Section which were found to be reasonable when compared against schemes with similar sized mandates.

6. Realisation of investments

The Trustees review the Plan's net current and future cashflow requirements on a regular basis. The Trustees' policy is to have access to sufficient liquid assets in order to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

The Trustees' policy is for cashflows to be allocated to help rebalance the Plan's assets towards the strategic asset allocation. A significant cashflow over the Plan Year was the deficit contribution of £6.8m received in May 2020. This was invested in the Insight LDI and Liquidity funds in accordance with this cashflow policy.

The Trustees also receive regular income from their holdings with LGIM which is retained in the Trustees' bank account and used to meet benefit payments.

For the DC investments, it is the Trustees' policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All DC Section funds are daily priced.

7. Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

When LGIM presented to the Trustees during the Plan Year, the Trustees asked several questions about the manager's ESG, voting and engagement practices and were satisfied with the answers they received.

The Trustees invested in two new pooled funds, the Insight Short Dated Buy & Maintain Bond Fund and the LGIM Infrastructure Equity MFG Fund on 17 November 2020 and 10 March 2021 respectively. In selecting and appointing these managers, the Trustees reviewed LCP's RI assessments of the managers and considered these when agreeing to the appointment.

8. Voting and engagement

This is covered in Section 7 above.

9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

As mentioned in Section 5, the Trustees assess the performance of the Plan's investments on an ongoing basis as part of the six-monthly performance monitoring reports they receive.

The Trustees have put in place formal objectives for their investment adviser and will review the adviser's performance against these objectives on a regular basis. The objectives were put in place in November 2019 and the Trustees aim to review the objectives triennially.

The performance of the other professional advisers is considered on an ongoing basis by the Trustees.

10. Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustees also maintain a risk register which is discussed at quarterly meetings.

The Trustees' policy for some risks, given their nature, is to understand and address them if, and when, it becomes necessary, based upon the advice of the Plan's investment adviser or information provided to the Trustees by the Plan's investment managers. These risks include, but are not limited to, credit risk, equity risk, currency risk and counterparty risk.

With regard to the risk of inadequate returns, as per the 2019 Actuarial Valuation, an assessed return of gilts +1.1% pa was required for the Plan to be fully funded on a Technical Provisions basis by 2040. The best estimate expected return on the Plan's strategic asset allocation at this time was gilts + 2.8% pa. The Trustees therefore expected the return on the Plan's assets to be sufficient to produce the return required over the long-term.

The Plan's interest rate and inflation hedging levels are monitored by the Trustees at their meetings alongside their six-monthly investment performance monitoring reports, to consider if either have deviated too far from the Trustees' stated target of hedging around 80% of the Plan interest rate and around 100% of the Plan's exposure to inflation risk measured on a technical provisions basis. In May 2020, the Trustees rebalanced the Plan's hedging portfolio back towards their target levels following the finalisation of the 2019 actuarial valuation.

The Trustees hold investments in the Insight Sterling Liquidity Fund and Short Dated Buy & Maintain Bond Fund (previously the Bonds Plus Fund) alongside the LDI portfolio, to be used should the LDI manager require cash to be posted for a deleverage event to manage collateral adequacy risk. The Trustees aim to hold at least enough liquid assets to meet the next capital call on the LDI funds and this was the case at 20 March 2021.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP generally give rise to funding risk. The Trustees formally review the Plan's funding position as part of their annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustees review the funding position allowing for membership and other experience. The Trustees informally monitor the funding position more regularly, on a quarterly basis at Trustee meetings and they also have the ability to monitor this daily on LCP Visualise. The DC section is monitored annually as part of producing the Chair Statement.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

11. Investment manager arrangements (Appendix 3 of SIP)

There are no specific policies in this section of the Plan's SIP.

12. Description of voting behaviour during the Plan Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Plan Year.

In this section we have sought to include voting data on the Plan's funds that hold equities as follows:

- LGIM UK Equity Index Fund
- LGIM North America Equity Index Funds
- LGIM Europe (ex-UK) Equity Index Funds
- LGIM Japan Equity Index Funds
- LGIM Asia Pacific (ex- Japan) Equity Index Funds
- LGIM World Emerging Markets Index Fund
- Schroder Diversified Growth Fund
- Phoenix Life With-Profits Policies
- LGIM Infrastructure Equity MFG Fund

The Trustees have sought to obtain the relevant voting data for Sections 12.2 and 12.3, from all the investment managers listed above, however we have omitted the L&G Listed Infrastructure mandate on materiality grounds since the Plan was only invested in March 2021. The Trustees were unable to obtain the required data from Phoenix Life.

The Trustees will continue to work with their advisers and investment managers with the aim of providing fuller voting information in future implementation statements.

In addition to the above, the Trustees contacted the Plan's other asset managers that don't hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the period. None of the other pooled funds that the Plan invested in over the Plan Year held any assets with voting opportunities.

12.1 Description of the voting processes

LGIM

All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure their proxy provider votes in accordance with LGIM's position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to their voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed by their service provider and in accordance with their voting policies. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Schroders

Schroders evaluates voting issues arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. They utilise company engagement, internal research, investor views and governance expertise to confirm their intention.

Schroders receives research from both ISS and the IVIS for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on their policies, Schroders will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

Schroders stress that their own research, conducted by both their financial and ESG analysts, is also integral to their final voting decision. For contentious issues, Schroders' Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders continues to review their voting practices and policies through ongoing dialogue with their portfolio managers. They believe this has led them to raise the bar on what they consider 'good governance practice.'

12.2 Summary of voting behaviour over the Plan Year[2]

A summary of voting behaviour over the period is provided in the table below.

	LGIM UK	LGIM North America	LGIM Europe (ex-UK)	LGIM Japan	LGIM Asia Pacific (ex-Japan)	LGIM Emerging Markets	Schroders DGF
Total size of fund at end of reporting period	£22.0bn	£17.4bn	£4.9bn	£2.7bn	£1.7bn	£7.7bn	£4.6bn
Value of Plan assets at end of reporting period	£10.4m	£16.0m	£16.0m	£5.3m	£5.3m	£6.9m	£49.3m
Number of holdings at end of reporting period	598	662	461	509	404	1,882	1,360
Number of meetings eligible to vote	943	794	686	551	534	3,998	1,711
Number of resolutions eligible to vote	12,574	9,495	11,412	6,518	3,774	36,036	20,478
% of resolutions voted	100%	100%	100%	100%	100%	100%	100%
Of the resolutions on which voted, % voted with management	93%	72%	84%	86%	74%	85%	92%
Of the resolutions on which voted, % voted against management	7%	28%	15%	14%	26%	13%	8%
Of the resolutions on which voted, % abstained from voting	0%	0%	1%	0%	0%	1%	0%
Of the meetings in which the manager voted, % with at least one vote against management	3%	8%	4%	6%	10%	5%	45%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	1%	0%	0%	0%	0%	0%	Not available

12.3 Most significant votes over the Plan Year

Commentary on the most significant votes over the period, from the Plan's asset managers who hold listed equities, is set out below.

LGIM

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

[2] All information is for the year to 31 March 2021, as neither manager was able to provide the information for the Plan Year dates.

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where they note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

A selection of LGIM's significant votes are included in the below table.

LGIM's "most significant" votes•	Vote 1•	Vote 2•	Vote 3•	Vote 4•	Vote 5•
Company name•	Olympus Corporation	Lagardère	Medtronic plc	Whitehaven Coal	International Consolidated Airlines Group
Country/region	Japan	Europe (ex-UK)	North America	Asia Pacific (ex-Japan)	United Kingdom
Date of vote•	30 July 2020	5 May 2020	11 December 2020	22 November 2020	7 September 2020
Summary of the resolution•	Elect Director Takeuchi, Yasuo at the company's annual shareholder meeting held on 30 July 2020.	Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).	Vote to Ratify Named Executive Officers' Compensation. Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year.	Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.	Approve remuneration report
How you voted•	Against	For	Against	For	Against
Rationale for the voting decision•	Concerns about lack of women in Japanese companies. On a global level LGIM considers that every board should have at least one female director, deemed this a de minimis standard. LGIM opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.	LGIM agrees that the company strategy had not been value-enhancing and the governance structure of the company was not allowing the Supervisory Board to challenge management on this.	LGIM does not support one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met.	LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.	As a result of the COVID-19 crisis, the company took up support under various government schemes and also announced a 30% cut to its workforce. The company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM to strengthen its balance sheet. LGIM were concerned about remuneration proposal's level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders).
Outcome of the vote	Passed	Not passed	Passed	Failed	Passed

Schroders

Schroders consider “most significant” votes as those against company management. Schroders provided over 1,500 votes spread across the Plan Year, from which we have selected a subset based on recurring rationale.

Schroders’ “most significant” votes•	Vote 1•	Vote 2•	Vote 3	Vote 4	Vote 5•
Company name•	Sulzer AG	The SimplyBiz Group Plc	Peugeot SA	Canacol Energy Ltd.	Intuit Inc.
Country/region	Switzerland	United Kingdom	France	Canada	USA
Date of vote•	15 April 2020	27 April 2020	25 June 2020	10 July 2020	21 January 2021
Summary of the resolution•	Approve Remuneration of Directors in the Amount of CHF 3 Million	Re-elect Ken Davy as Director	Authorize Board to Issue Free Warrants with Preemptive Rights During a Public Tender Offer	Amend stock option plan	Ratify Ernst & Young LLP as Auditors
How you voted•	Against	Against	Against	Against	Against
Rationale for the voting decision•	Excessive remuneration	Lack of board independence and diversity	Could be used for antitakeover measures.	Detailed amendment provision does not sufficiently limit the board's ability to amend the plan without shareholder approval	Excessive auditor tenure