

Implementation Statement, covering the Plan Year from 21 March 2021 to 20 March 2022

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 is based on and uses the same headings as the Plan’s latest SIPs which were in place during the Plan Year – dated November 2020 for the period in the Plan Year to May 2021, and the SIP dated May 2021 thereafter. This Statement should be read in conjunction with those SIPs.

1. Introduction

The SIP was reviewed and updated during the Plan Year in May 2021 to reflect:

- A simplification of wording describing the Plan’s investment strategy.
- A revision of the Plan’s strategic allocation, to include the new 7% listed infrastructure allocation (a strategic decision taken by the Trustees and agreed with the Employer in the previous Plan Year),
- To update the target split between Growth and Defensive Portfolios based on the Plan’s ‘linear de-risking’ funding strategy.
- Removal of wording relating to the 50% disinvestment from the property allocation that was temporarily invested in the Insight Liquidity Fund (these proceeds were used to fund the listed infrastructure allocation).
- Removal of investment arrangements wording about closed-ended funds.
- Removal of reference to Absolute Return Bonds, after the Trustees switched this allocation to Short Dated Credit during the previous Plan Year.

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 have done so.

2. Investment objectives

Progress against the long-term journey plan is reviewed as part of the quarterly performance monitoring reports. The Trustees are also able to view the progress on an ongoing basis using LCP Visualise online (a tool provided by the Plan’s investment adviser which shows key metrics and information on the Plan).

As at 20 March 2022 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 of the DC arrangement and AVCs took place in August 2021, and the next review is planned for 2024.

3. Investment strategy

The Trustees did not review the DB investment strategy over the Plan Year.

The Trustees monitored the asset allocation on a semi-annual basis. The aforementioned switches into Short Dated Credit and Listed Infrastructure were spread over several tranches, some of which were completed during the Plan Year (and some the previous year).

The Trustees, with the help of their advisers and in consultation with the sponsoring employer, reviewed the DC arrangements in August 2021. The Trustees concluded that the current with-profits arrangement was appropriate and gave reasonable value for money.

4. Considerations in setting the investment arrangements

When the Trustees have reviewed either the DC arrangement or DB investment strategy, they have considered the investment risks set out in Appendix 2 of the SIP. They have 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.

5. Implementation of the investment arrangements

The Trustees did not make any strategic changes to their manager arrangements but did complete the implementation of their short dated credit and listed infrastructure mandates during the Plan Year.

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

The Plan's investment adviser, LCP, monitors the 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 regarding the Plan's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant changes to the investment process or key staff for any of the funds the Plan invests in, or any material changes in the level of diversification in the funds.

The Trustees periodically invite the Plan's investment managers to present at Trustee meetings. 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 on a semi-annual basis, using performance monitoring reports produced by LCP which show the performance of each fund over the six month, one year and three year periods. Performance is considered in the context of the manager's benchmark and objectives.

The most recent report shows that all managers have produced performance broadly in line with expectations over the long-term.

During the Plan Year the Trustees assessed the fees charged by the Plan's LDI manager and successfully negotiated a lower fee. Overall the Trustees believe the investment managers provide reasonable value for money.

As part of the DC review in August 2021, 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 arrangement 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 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 into the Plan over the Plan Year was the deficit contribution of £6.7m that was received in April 2021 which was invested into short dated credit.

The Trustees receive regular income from their passive equity holdings with Legal & General Investment Management, which is retained in the Trustees' bank account and used to pay benefit payments.

For the DC arrangements, it is the Trustees' policy to offer a fund that offers daily dealing to enable members to readily realise their investments.

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.

Additionally, the Trustees receive quarterly updates which include ESG and Stewardship related issues from their investment advisers.

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 monitoring reports they receive.

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

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 at least triennially.

10. Policy towards risk (Appendix 2 of SIP)

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

The Trustees' policy for some risks, given their nature, is to understand them and to address them if 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 include 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 expect the return on the Plan's assets to be sufficient to produce the return required over the long-term.

The Plan's interest and inflation hedging levels are monitored on an ongoing basis by their investment advisors. Over the Plan Year the Plan's hedging levels were broadly in line with the target levels.

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 over the Plan Year.

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 arrangement 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 in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Plan's funds that hold equities as follows (including the GBP hedged share classes of the same funds where applicable):

- 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 Life 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 of the investment managers listed above, however were unable to include voting data for Phoenix Life which was unable to provide the required data.

The Trustees will continue to work with their advisers, investment managers and DC provider 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 Plan Year. 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

Legal & General Investment Management

All decisions are made by LGIM's Investment Stewardship team and in accordance with its 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. LGIM believes that this ensures its 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 it does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its 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 it receives from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with LGIM's position on ESG, it has 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 it believes 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 its 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 its voting judgement. It has strict monitoring controls to ensure its votes are fully and effectively executed by its service provider and in accordance with its 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 aims to take a consistent approach to voting globally, subject to regulatory restrictions, and aims to remain in line with its published ESG policy.

Schroders states that its overriding principle governing its voting is to act in the best interests of its clients. Where proposals are not consistent with the interests of shareholders and clients, Schroders will vote against resolutions. It may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

Schroders evaluates voting resolutions arising at its investee companies and, where it has the authority to do so, vote on them in line with its fiduciary responsibilities in what it deems to be the interests of its clients. Schroders' Corporate Governance specialists assess each proposal, applying its voting policy and guidelines (as outlined in its Environmental, Social and Governance Policy) to each agenda item. In applying the policy, the specialists consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. The specialists draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Schroders' own research is also integral to its process; this will be conducted by both its financial and Sustainable Investment analysts. For contentious issues, its Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

12.2 Summary of voting behaviour over the 12 months to 31 March 2022²

A summary of voting behaviour over the Plan Year 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	LGIM Infrastructure MFG	Schroders DGF
Total size of fund(s) at 31 March 2022	£18.5bn	£47.9bn	£14.4bn	£7.5bn	£5.9bn	£6.5bn	£2.0bn	£4.0bn
Value of Plan assets at 20 March 2022	£10.6m	£15.9m	£15.8m	£5.2m	£5.2m	£6.0m	£24.0m	£50.2m
Number of equity holdings at 31 March 2022	566	642	497	510	421	1,624	82	1,394
Number of meetings eligible to vote over year to 31 March 2022	772	663	549	512	499	4,087	97	1,932
Number of resolutions eligible to vote over year to 31 March 2022	10,813	8,181	9,447	6,109	3,547	34,237	1,106	22,236
% of resolutions voted over year to 31 March 2022	100.0%	99.7%	99.8%	100.0%	100.0%	99.8%	100.0%	95.2%
Of the resolutions on which voted, % voted with management over year to 31 March 2022	93.1%	70.4%	82.2%	86.6%	73.4%	81.1%	83.5%	90.4%
Of the resolutions on which voted, % voted against management over year to 31 March 2022	6.9%	29.5%	17.1%	13.3%	26.4%	16.7%	16.4%	9.0%
Of the resolutions on which voted, % abstained from voting over year to 31 March 2022	0.0%	0.1%	0.7%	0.0%	0.2%	2.2%	0.2%	0.6%
Of the meetings in which the manager voted, % with at least one vote against management over year to 31 March 2022	43.6%	94.7%	76.9%	75.0%	72.9%	49.4%	75.3%	46.6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy adviser over year to 31 March 2022	5.4%	23.4%	8.5%	10.4%	16.6%	6.3%	12.21%	7.1%

Note: values may not sum to 100% due to rounding.

² Neither manager was able to provide the information for the Plan Year dates.

12.3 Most significant votes over the Plan Year

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

Legal & General Investment Management

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:

- 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 it notes 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 below.

- **The Bankers Investment Trust PLC, United Kingdom, 24 February 2022**
Vote: Against
Outcome of the vote: Passed
Approximate size of fund's holding as at the date of the vote: 0.06%
Summary of resolution: Resolution 4 Re-elect Julian Chillingworth as Director
Rationale: Diversity: A vote against is applied because of a lack of progress on gender diversity on the board. LGIM expects boards to have at least 30% female representation on the board by 2020.
- **Toshiba Corp., Japan, 25 June 2021**
Vote: Against
Outcome of the vote: Failed
Approximate size of fund's holding as at the date of the vote: 0.04%
Summary of resolution: Resolution 1.2 Elect Director Nagayama, Osamu
Rationale: Nagayama is the nomination committee chair and the chairman of the board. Therefore, he bears the greatest responsibility in nominating candidates, and has ultimate responsibility for the conduct of the board. LGIM holds the Board Chairman ultimately accountable for the conduct of the 2020 AGM.
- **Frasers Group plc, United Kingdom, 29 September 2021**
Vote: Against
Outcome of the vote: Passed
Approximate size of fund's holding as at the date of the vote: 0.05%
Summary of resolution: Resolution 1 To receive and adopt the report & accounts
Rationale: LGIM's corporate governance policy requires all UK-listed companies to meet the requirements of the Modern Slavery Act 2015. Section 54 of the Act requires companies to provide a statement setting out the steps it has taken to ensure that slavery and human trafficking is not taking place in its own operations or within its supply chain. In addition, the statement should be signed by the board of directors. LGIM will sanction any company that has failed to meet the requirements of the Act for two consecutive years. Not only does LGIM consider this to be serious governance failing, it sees this as both a humanitarian crisis and a risk to a company's operating model. In 2016, it is estimated that there were more than 40 million cases of modern slavery globally; the true figure today is thought to be significantly higher, LGIM is part of a collaborative engagement group that is trying to ensure UK companies comply with this legislation.
- **Kier Group plc, United Kingdom, 19 November 2021**
Vote: Against
Outcome of the vote: Passed
Approximate size of fund's holding as at the date of the vote: 0.015%
Summary of resolution: Resolution 2 – Approval of Remuneration Report – including substantial salary increase to CEO and LTIP awards at exceptional levels

Rationale: Concern over one-off (unphased) salary increase of 26% to CEO to result in £750,000 pa, a significant salary level for a SmallCap company following sell-off of a number of divisions; additionally provided exceptional LTIP award levels in a difficult environment for other stakeholders.

- **AT & T, North America, 30 April 2021**

Vote: Against

Outcome of the vote: Passed

Approximate size of fund's holding as at the date of the vote: 0.58%

Summary of resolution: Resolution 3 - Advisory Vote to Ratify Named Executive Officers' Compensation

Rationale: LGIM identified serious issues with the structure and quantum of AT&T's executive remuneration. In particular, the \$48 million sign-on equity award to the incoming CEO of its Warner Media division and a retention grant to the General Counsel of \$9 million USD. The awards and payments made by AT&T did not meet LGIM's expectations of fair and balanced remuneration both in respect to its magnitude and the lack of performance criteria.

- **McDonald's Corporation, North America, 20 May 2021**

Vote: For

Outcome of the vote: Not passed

Approximate size of fund's holding as at the date of the vote: 0.45%

Summary of resolution: Resolution 5 Report on Antibiotics and Public Health Costs

Rationale: LGIM voted in favour as it believes the proposed study will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) is a key focus of the engagement strategy of LGIM's Investment Stewardship team. LGIM believes that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, its people, and global GDP. Whilst LGIM applauds the company's efforts over the past few years on reducing the use of antibiotics in its supply chain for chicken and beef as well as pork, it believes AMR is a financially material issue for the company and other stakeholders, and wants to signal the importance of this topic to the company's board of directors.

- **Intel Corporation, North America, 13 May 2021**

Vote: For

Outcome of the vote: Not passed

Approximate size of fund's holding as at the date of the vote: 0.61%

Summary of resolution: Resolution 5 Report on Global Median Gender/Racial Pay Gap

Rationale: Transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on its behalf. For 10 years, LGIM has been using its position to engage with companies on this issue. As part of its efforts to influence its investee companies on having greater gender balance, LGIM expects all companies in which it invests globally to have at least one female on its board. LGIM has stronger requirements in the UK, North American, European and Japanese markets, in line with its engagement in these markets.

- **Nomura Holdings, Inc., Japan, 21 June 2021**

Vote: Against

Outcome of the vote: Passed

Approximate size of fund's holding as at the date of the vote: 0.37%

Summary of resolution: Resolution 1.7 Elect Director Shimazaki, Noriaki

Rationale: Risk management: A vote AGAINST this nominee is warranted at this time as the audit committee chair, Noriaki Shimazaki, should be held responsible for the company's risk management failures brought to light by the losses from the Archegos collapse.

- **Mapletree Logistics Trust, Asia Pacific ex Japan, 13 July 2021**

Vote: Against

Outcome of the vote: Passed

Approximate size of fund's holding as at the date of the vote: 0.12%

Summary of resolution: Resolution 1 - Adopt Report of the Trustee, Statement by the Manager, Audited Financial Statements and Auditors' Report

Rationale: The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.

- **The Southern Company, Infrastructure Equity MFG Fund, 26 May 2021**

Vote: Against

Outcome of the vote: Passed

Approximate size of fund's holding as at the date of the vote: 1.92%

Summary of resolution: Resolution 1e Elect Director Thomas A. Fanning

Rationale: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it has been voting against all combined board chair/CEO roles. LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on our website), and it has reinforced its position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

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.

- **Ternium SA, Luxembourg, 3 May 2021**

Management recommendation: For

Vote: Against

Outcome of the vote: Passed

Approximate size of fund's holding as at the date of the vote: 0.02%

Summary of resolution: Re-elect Directors

Rationale: 75% of the board have tenures over 15 years as well as a lack of gender diversity.

- **Tesla, Inc., USA, 7 October 2021**

Management recommendation: Against

Vote: For

Outcome of the vote: Passed

Approximate size of fund's holding as at the date of the vote: 0.01%

Summary of resolution: Declassify the Board of Directors

Rationale: A declassified board increases accountability to shareholders.

- **Paychex, Inc., USA, 14 October 2021**

Management recommendation: For

Vote: Against

Outcome of the vote: Passed

Approximate size of fund's holding as at the date of the vote: 0.01%

Summary of resolution: Advisory Vote to Ratify Named Executive Officers' Compensation

Rationale: A vote AGAINST this proposal is warranted. Annual incentives were linked primarily to financial goals, however, there are concerns regarding significant COVID-19 related modifications to incentive awards. The modifications to closing-cycle long-term incentives (LTI) awards increased the pay-outs significantly, and the compensation committee also chose to award only time-based equity for FY21 due to the committee's difficulty in setting performance goals as a result of the pandemic. A shift from performance-based to entirely time-based equity awards and changes to closing-cycle awards are viewed as a problematic response to COVID-19 related market disruption by many investors.

- **Weichai Power Co., Ltd., China, 28 June 2021**

Management recommendation: For

Vote: Against

Outcome of the vote: Passed

Approximate size of fund's holding as at the date of the vote: 0.04%

Summary of resolution: Elect Yu Zhuoping as Director

Rationale: The nominee is a member of the audit committee, and the company has failed to disclose the breakdown of the fees paid to the auditor.