Implementation Statement, covering the reporting period from 21 March 2024 to 20 March 2025 (the "Plan Year")

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 its 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 2-9 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, the Trustees (including the most significant votes cast by the Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 9 below.

In preparing the Statement, the Trustees have had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

This Statement is based on the latest SIP, dated February 2025, which was updated during the Plan Year. This Statement should be read in conjunction with the SIP, which can be found here: Statement of Investment Principles for the Panasonic UK Pension Plan.

The Statement incorporates the Defined Benefit ("DB") and Defined Contribution ("DC") Sections of the Plan.

1. Introduction

The SIP was updated twice during the Plan Year. The SIP in place at the start of the Plan Year was dated March 2023, however, the Trustees have updated the SIP in:

- June 2024 to reflect changes to the investment strategy after the Trustees' de-risked the Plan's assets by reducing the strategic allocation to growth assets from 25% to 10%, and

- February 2025 following further de-risking of the Plan's assets after Trustees reduced the strategic allocation to growth assets from 10% to 0%.

The Trustees have, in their opinion, followed all of 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 Plan's technical provisions liabilities and 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 including expected return and risks of the investment strategy).

As at 20 March 2025 the Plan's estimated funding level on a technical provisions basis was around 106% and had a technical provisions surplus of c£12m. In addition, the Trustees remain comfortable that the level of risk and expected returns remains appropriate.

As part of the performance and strategy review of the DC arrangements that was completed in February 2025, the Trustees considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Plan.

Based on the outcome of this analysis, the Trustees concluded that the DC arrangements were in the best interests of most of the DC Section members and reflect the demographics of those members.

The Trustees also provide the Plan's AVC members with access to a range of investment options which they believe are suitable for this purpose and enable appropriate diversification. The Trustees have made available lifestyle strategies and a self-select fund range to members covering all major assets classes as set out in the SIP as follows:

"We have also selected ReAssure and Utmost Life and Pensions as the Plan's money purchase AVC providers. Both ReAssure and Utmost have lifestyle strategies as the default arrangements (i.e. they automatically combine investments in proportions that vary according to the time to retirement age). The defaults initially invest to target a high expected return and then gradually switch to investments with a lower expected return and risk as members get close to retirement."

The Trustees formally review the DC arrangements and AVCs from time to time when considered appropriate.

3. Investment strategy

The Trustees, with the help of their advisers and in consultation with the sponsoring employer, reviewed the investment strategy of the DB Section in September 2024 and decided to de-risk the Plan's investments. In particular, the Trustees fully redeemed their holdings from the L&G infrastructure equity fund and Schroders Diversified Growth Fund and transferred the proceeds to the Insight Liquidity Fund.

As part of this review, the Trustees made sure the Plan's assets were adequately and appropriately diversified between different asset classes.

The Trustees have also monitored the asset allocation on a six-monthly basis and compared this to the strategic asset allocation. The actual asset allocation did not deviate materially from the strategic allocation over the Plan Year and therefore the Trustees did not undertake any rebalancing. The Plan's cashflow requirements were met from income from the equity assets and disinvestments from the liquidity fund assets.

The Trustees reviewed the DC and AVC arrangements during the Plan Year, and concluded they were comfortable with the arrangements and fees.

4. Considerations in setting the investment arrangements

When the Trustees reviewed the DB investment strategy in September 2024, they considered the investment risks set out in the SIP. They also considered the expected returns and risks associated with their holdings as well as how these risks can be mitigated. Additionally, the Trustees considered the need for diversification and the specific circumstances of the Plan (eg the investment objectives, funding position, level of contributions and strength of the sponsor covenant).

The Trustees last reviewed their investment beliefs as part of the September 2024 SIP update. The Trustees invest for the long term, to provide for the Plan's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon. The Trustees therefore seek to appoint managers whose stewardship[1]activities are aligned to the creation of long-term value and the management of long-run systemic risks.

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 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 monitor the performance of the Plan's investment managers on a six-monthly basis, using a monitoring report prepared by the investment adviser. The report shows the performance of each fund over the

[1] The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

quarter, six-month period, year and longer term. Performance is considered in the context of the managers' benchmarks and objectives. The Trustees also monitor their managers' responsible investment capabilities using scores provided by its investment advisor.

4.1 Policy towards risk

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 Trustees' 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 the risk of inadequate returns, risk from lack of diversification, credit risk, equity risk, currency risk, interest rate and inflation risk, investment manager risk, illiquidity/marketability risk, counterparty risk, collateral adequacy risk and ESG (including climate) risks. How the Trustees' implemented their policy for these risks during the year is summarised below.

With regard to the risk of inadequate returns, within the DB Section, the Plan was more than fully funded on the Technical Provisions basis as at 20 March 2025. The expected return of the assets as at the same date was gilts+0.5% pa. Therefore, the expected return on the Plan's assets was expected to be sufficient to produce the return needed over the long-term. Within the DC Section, the arrangement with Phoenix Life is a with-profits policy which provides members with a guaranteed minimum value at retirement. In addition, the underlying investment strategy makes use of equities, which are expected to provide positive returns above inflation over the long term.

The Plan's interest and inflation hedging levels are monitored on an ongoing basis in the six-monthly monitoring report. Over the Plan Year the Plan's hedging levels were broadly in line with the target levels.

Regarding collateral adequacy risk, the DB Section holds investments in the Insight Liquidity Fund, Insight Short Dated Buy & Maintain Bond Fund and Insight Buy & Maintain Bond Fund alongside the LDI portfolio, to be used should the LDI manager require cash to reduce leverage within the LDI funds. The Trustees aim to hold a minimum of collateral against levered LDI holdings equal to a "Market Stress Buffer" of 2.5% plus an additional "Operational Buffer" of 0.5% to 1.0% in these liquid assets. As at 20 March 2025, the Plan held c£93m in liquid assets and has enough collateral to withstand yield movements of more than 10%.

Together, the investment and non-investment risks give rise generally to funding risk. The Trustees monitor the funding position at Trustees' meetings, and can monitor this daily using LCP Visualise.

5. Implementation of the investment arrangements

In September 2024, the Trustees reviewed the Plan's investment strategy, and decided to reduce risk following consultation with the Company. They reduced the Plan's strategic allocation to growth assets from 10% to 0%. This was done by fully disinvesting from the Schroders Diversified Growth Fund and the L&G Infrastructure Equity MFG Fund and transferring the proceeds to the Insight Liquidity Fund to act as additional collateral for the Plan's LDI holdings.

The Trustees evaluate manager performance over both shorter and longer periods, encourage managers to improve practices and consider alternative arrangements where managers are not meeting performance objectives. Section 9 provides more detail on the activities carried out over the year.

The Trustees reviewed the DC and AVC arrangements over the year, concluding their review in February 2025. This 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 with scheme with similar mandates.

Overall, the Trustees believe the investment managers provide reasonable value for money.

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 receive income from Insight, as well as monthly disinvestments, to meet pensioner payments. Over the Plan Year, most of this came from dividend income from the Insight credit funds together with a monthly disinvestment from the Insight liquidity fund.

For the DC Section, it is the Trustees' policy to invest in a fund that offers daily dealing to enable members to readily realise and change their investments.

7. Financially material considerations, 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).

The Trustees periodically review LCP's responsible investment (RI) scores for the Plan's managers and funds, along with LCP's qualitative RI assessments and red flags for any areas concern. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey which was last carried out in 2024.

In February 2025, the Trustee reviewed the results of the LCP RI survey for the Plan's investment managers (Insight and L&G) and the buy-in provider (PIC). This included assessing the investment managers on their ESG foundations, net zero objectives, engagement, systemic stewardship and voting activities. As a follow up action from the meeting, the Trustee engaged with Insight on its net zero and systemic stewardship practices. The Trustee conveyed their expectation of Insight to:

1. Work towards net zero emissions for all assets management and have a clear transition plan; and

2. Increase resources allocation to policy engagement and building internal capacity for this work.

Insight responded with actions they have taken and aim to take in the take in future to address the Trustee's questions. The Trustee was satisfied with the answer and no further action was taken.

Both of the Plan's investment managers are now signatories to the UK Stewardship Code.

No specific actions have been taken in relation to the selection, retention, and realisation of managers as a result of member and beneficiary views.

8. Voting and engagement

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies for their managers that held listed equities are*:*

Legal & General Investment Management:

All decisions are made by L&G'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. L&G 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.

L&G's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and it does not outsource any part of the strategic decisions. L&G'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 we receive from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with L&G'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

L&G consider are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

L&G 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 L&G to apply a qualitative overlay to its voting judgement. L&G has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform L&G of rejected votes which require further action.

Schroders:

As active owners, Schroders recognises its responsibility to make considered use of voting rights. It is therefore its aim to vote at all meetings globally however, in certain markets or for certain Issuers there may be logistical constraints which make the process of voting too arduous or expensive compared with the benefits of doing so.

Examples include, but are not limited to: share-blocking restrictions attached to voting (the ability to sell shares is restricted for a specified time period, generally from the voting deadline until one day after the date of the shareholder meeting), restrictions on a foreign shareholder's ability to exercise votes, regulatory constraints, the requirement to put power of attorneys in place to facilitate voting instructions and other requirements that make the administrative overhead of voting too burdensome. Schroders uses a third party service to process proxy voting instructions electronically and regularly review our arrangements with our provider, benchmarking it against peers and our evolving requirements.

9. Description of voting behaviour during Plan Year

All of the Trustee's holdings in listed equities were in pooled funds and the Trustees delegated to its investment managers the exercise of voting rights. Therefore, the Trustees were not able to direct how votes are exercised and the Trustees have not used proxy voting services over the Plan Year. However, the Trustees monitor managers' voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the Trustees' expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Plan's funds that hold equities as follows:

- L&G Infrastructure Equity MFG Fund
- Schroders Diversified Growth Fund

The Trustees obtained the relevant voting data for Sections 9.2 and 9.3, from all the investment managers listed above. Phoenix, the DC provider, has confirmed that there were no voting opportunities attached to the assets held in the funds held by the Plan members over the Plan Year.

We have not included any AVC funds on materiality grounds.

In addition to the above, the Trustees contacted the Plan's asset managers that do not 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 funds that the Plan invested in over the Plan Year held any assets with voting opportunities.

9.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which its managers have in place. The Trustees reviewed these policies in May 2023, focusing on the elements which relate to its stewardship priorities, and is comfortable that the policies are aligned with the Trustees' views.

9.2 Summary of voting behaviour

A summary of voting behaviour over the year from 1 April 2024 to 31 March 2025 is provided in the table below. It is a slightly different period than the Plan Year due to the availability of data from the investment managers. Please note that the funds listed below were fully disinvested in September 2024 as part of the Plan's de-risking process. However, the voting behaviour data provided by the managers extends through to 31 March 2025.

	L&G Infrastructure Equity MFG Fund	Schroders Diversified Growth Fund
Total size of multi-investor pooled fund at end of the Plan Year	£1,655m	£1,116m
Number of equity holdings at end of the Plan Year	85	1,410
Number of meetings eligible to vote	95	1,297
Number of resolutions eligible to vote	1,177	16,606
% of resolutions voted	99%	96%
Of the resolutions on which voted, % voted with management	73%	90%
Of the resolutions on which voted, % voted against management	26%	11%
Of the resolutions on which voted, % abstained from voting	<1%	<1%
Of the meetings in which the manager voted, % with at least one vote against management	87%	55%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	22%	9%

9.3 Most significant votes

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

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria[2] for creating this shortlist.

The Trustee has interpreted "significant votes" to mean those that:

- align with the Trustee's stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial;
- are shareholder resolutions which received material support;

[2] Vote reporting template for pension scheme implementation statement – Guidance for Trustees (plsa.co.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

- the subject of the resolution aligned with the investment manager's engagement priorities or key themes; and/or

- the Plan or the sponsoring company may have a particular interest in.

The Trustee has reported on one of these significant votes per fund only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

Legal & General Investment Management

Infrastructure Equity MFG Fund

- <u>**National Grid Plc July 2024**</u>

  Vote cast: For the resolution

  Outcome of the vote: Pass

  Summary of resolution: Approve Climate Transition Plan

  Stewardship priority: Climate change

  L&G's rationale for the voting decision: L&G commend the company's efforts in committing to net-zero emissions across all scopes by 2050 and setting 1.5C-aligned near term science-based targets. L&G also appreciate the clarity provided in the 'Delivering for 2035 report' and look forward to seeing the results of National Grid's engagement with SBTi regarding the decarbonisation of heating.

  The reason this vote is considered to be "most significant": L&G is publicly supportive of so called "Say on Climate" votes. L&G expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, L&G deem such votes to be significant, particularly when L&G votes against the transition plan.

  Outcome and next steps: L&G will continue to engage with the company and monitor progress.

Schroders

Diversified Growth Fund

- <u>**Schouw & Co April 2024**</u>

  Vote cast: Against the resolution

  Outcome of the vote: Resolution was passed

  Summary of the resolution: Decision to Elect Jørgen Wisborg

  Stewardship priority: Diversity, Equity & Inclusion

  Schroders' rationale for the voting decision: Less than 40% of the board are female directors.

  The reason this vote is considered to be "most significant": This vote is significant because diversity, equity and inclusion is one of the Trustees' stated stewardship priorities.

  Outcome and next steps: Schroders monitors voting outcomes particularly if it is a large shareholder or if it has an active engagement on the issue. If it thinks that the company is not sufficiently responsive to a vote or its other engagement work, it may escalate its concerns by starting, continuing or intensifying an engagement. As part of this activity, Schroders may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors.

9.4 Votes in relation to assets other than listed equity

The Plan’s asset managers which do not hold listed equities did not have any voting opportunities during the Plan Year.