

Implementation Statement

Marubeni-Komatsu Limited Pension and Death Benefit Scheme

For the year ended 5 April 2022

Introduction

This statement has been prepared by the Trustees of the Marubeni-Komatsu Limited Pension and Death Benefit Scheme (the “Scheme”) to demonstrate how the Trustees have acted on certain policies within their Statement of Investment Principles (SIP). This document is known as the Scheme’s Implementation Statement.

Each year, the Trustees must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Scheme year. This Implementation Statement covers the Scheme year from 6 April 2021 to 5 April 2022 and provides details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of proxy voter on their behalf over the year.

This Implementation Statement 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. Note that this excludes any Additional Voluntary Contribution investments held by the Scheme.

SIP policies

This implementation statement should be read in conjunction with the Scheme’s latest SIP (dated September 2020), which gives 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) factors are taken into account when taking 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 – 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 and ESG).

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 Trustees believe the policies have been followed.

The Scheme invests in pooled funds managed by Baillie Gifford, M&G Investment Management (“M&G”) and Legal & General Investment Management (“LGIM”) (together, the “Investment Managers”).

In the SIP, the Trustees stated the following policies on the exercise of voting rights and engagement activities related to their investments:

- The Investment Managers are responsible for managing the Scheme’s investments in accordance with the management agreements in place with the Trustees. The Trustees have delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Managers.
- The Trustees acknowledge that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Scheme’s investments and the likelihood that the Scheme’s objectives will be achieved.
- The Trustees will review the engagement activity of the Investment Managers to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees also monitor the voting activity of the investment managers to ensure votes are being used and are aligned to its views on ESG.

- The Trustees expect the Investment Managers to engage with investee companies (and other relevant persons including, but not limited to, investment managers, 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 Trustees' investments. The Trustees believe that such engagement will protect and enhance the long-term value of its investments.

Description of voting behaviour

The Scheme is invested in pooled funds, which means that the responsibility for exercising the voting rights on the shares held by the Scheme sits with the Investment Managers. The Trustees have enforced the policies in place by monitoring the engagement and voting activities of the Scheme's Investment Managers to ensure they are aligned with the Trustees' policies. This Implementation Statement summarises the votes made on behalf of the Trustees over the Scheme year.

Over the year to 5 April 2022, the Scheme held the following pooled fund investments:

- A multi-asset fund managed by Baillie Gifford;
- A property fund managed by M&G;
- A multi-asset fund managed by LGIM;
- A passive world equity fund managed by LGIM;
- A buy and maintain credit fund managed by LGIM;
- Leveraged liability driven investment (LDI) funds managed by LGIM; and
- A cash fund managed by LGIM.

The Scheme therefore had investments which carried voting rights within the passive equity and multi-asset fund investments with LGIM and the multi-asset fund investment with Baillie Gifford.

LGIM manages over £1.3 trillion in assets and using their resulting influence as investors, focusses its votes and engagement on climate change, income equality, diversity, and ESG integration.

The following table shows LGIM's voting summary covering the Scheme's investment in the LGIM Multi-Asset Fund, which the Trustees were invested in throughout the Scheme year. Note that LGIM have provided voting information for the year to 31 March 2022, rather than the Scheme year-end of 5 April 2022.

LGIM Multi-Asset Fund (£11.9m or 35% of Scheme assets as at 5 April 2022)	1 April 2021 – 31 March 2022
Number of meetings LGIM was eligible to vote at over the year to 31/3/2022	8,843
Number of resolutions LGIM was eligible to vote on over the year to 31/3/2022	88,741
Of the eligible resolutions, percentage that LGIM voted on	99.8%
Of the resolutions voted, percentage that LGIM voted with management	78.7%
Of the resolutions voted, percentage that LGIM voted against management	20.5%
Of the resolutions voted, percentage where LGIM abstained	0.8%
Percentage of eligible meetings where LGIM voted at least once against management	70.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	12.5%

The following table shows LGIM's voting summary covering the Scheme's investment in the LGIM All World Equity Index Fund (GBP Hedged), which the Trustees were invested in throughout the Scheme year. Note that LGIM have provided voting information for the year to 31 March 2022, rather than the Scheme year-end of 5 April 2022.

LGIM All World Equity Index Fund (GBP Hedged) (£6.9m or 21% of Scheme assets as at 5 April 2022)	1 April 2021 – 31 March 2022
Number of meetings LGIM was eligible to vote at over the year to 31/3/2022	6,519
Number of resolutions LGIM was eligible to vote on over the year to 31/3/2022	64,607
Of the eligible resolutions, percentage that LGIM voted on	99.8%
Of the resolutions voted, percentage that LGIM voted with management	80.7%
Of the resolutions voted, percentage that LGIM voted against management	18.1%
Of the resolutions voted, percentage where LGIM abstained	1.3%
Percentage of eligible meetings where LGIM voted at least once against management	60.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	9.6%

The following table shows Baillie Gifford's voting summary covering the Scheme's investment in the Baillie Gifford Managed Fund, which the Trustees were invested in throughout the Scheme year. Note that Baillie Gifford have provided voting information for the year to 31 March 2022, rather than the Scheme year-end of 5 April 2022.

Baillie Gifford Managed Fund (£2.5m or 7% of Scheme assets as at 5 April 2022)	1 April 2021 – 31 March 2022
Number of meetings Baillie Gifford was eligible to vote at over the year to 31/3/2022	238
Number of resolutions Baillie Gifford was eligible to vote on over the year to 31/3/2022	2,953
Of the eligible resolutions, percentage that Baillie Gifford voted on	98.5%
Of the resolutions voted, percentage that Baillie Gifford voted with management	97.0%
Of the resolutions voted, percentage that Baillie Gifford voted against management	1.5%
Of the resolutions voted, percentage where Baillie Gifford abstained	1.5%
Percentage of eligible meetings where Baillie Gifford voted at least once against management	11.8%

The following table shows LGIM's voting summary covering the Scheme's investment in the LGIM Buy and Maintain Credit Fund, which the Trustees were invested in throughout the Scheme year. Typically, LGIM do not produce voting data for fixed income funds, however the Buy and Maintain Credit Fund was eligible to vote in one meeting over the year to 31 March 2022; the voting

data is reported below. Note that LGIM have provided voting information for the year to 31 March 2022, rather than the Scheme year-end of 5 April 2022.

LGIM Buy and Maintain Credit Fund (£5.0m or 15% of Scheme assets as at 5 April 2022)	1 April 2021 – 31 March 2022
Number of meetings LGIM was eligible to vote at over the year to 31/3/2022	1
Number of resolutions LGIM was eligible to vote on over the year to 31/3/2022	2
Of the eligible resolutions, percentage that LGIM voted on	100.0%
Of the resolutions voted, percentage that LGIM voted with management	100.0%
Of the resolutions voted, percentage that LGIM voted against management	0.0%
Of the resolutions voted, percentage where LGIM abstained	0.0%
Percentage of eligible meetings where LGIM voted at least once against management	0.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	0.0%

Regarding the Scheme's property investment managed by M&G, this fund does not invest in any Real Estate Investment Trusts (REITs) and therefore has no voting rights attached.

Proxy voting

The Trustees did not employ a proxy-voting service during the year under review.

LGIM votes by proxy through the Institutional Shareholder Services' (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 (IVIS).

While Baillie Gifford are aware of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource any of their stewardship activities. Neither do they follow nor rely upon these voting recommendations when deciding how to vote on their clients' shares. All voting decisions are made in-house and Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers' policies. Baillie Gifford utilise research from proxy advisers for information only.

How engagement policies have been followed

The Trustees review and monitor the voting and engagement activity taken on their behalf on an annual basis. The information published by the Investment Managers and summarised in this statement has provided the Trustees with comfort that the Investment Managers have voted on their behalf over the Scheme year to 5 April 2022.

As set out in the SIP, the Trustees expect 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 Trustees' investments.

Details of specific voting and engagement topics are shown in the following table.

Voting and engagement topic	Policy followed in the opinion of Trustees?	Comments
Performance of debt or equity issuer	✓	LGIM and Baillie Gifford's voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy	✓	LGIM and Baillie Gifford have clear voting policies covering strategy topics - such as overall strategy, CEO's responsibilities and board/governance structure, independence issues, diversity and remuneration - and has acted on them throughout the Scheme year on behalf of the Trustees.
Capital structure	✓	<p>Both LGIM and Baillie Gifford 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> <p>Baillie Gifford has policies on voting and engagement with respect to capital structure and long term value creation including on equity issuance, share repurchases, dividends, M&A's and political donations. For instance, during March 2022, Baillie Gifford voted against a resolution which sought authority to issue equity for the company Sartorius Stedim Biotech without pre-emptive rights because Baillie Gifford deemed the potential dilution levels were not in the interests of shareholders.</p>
Conflicts of interest	✓	<p>Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management).</p> <p>Over the period under review, LGIM voted against incentive awards which did not have performance conditions, as these awards would not align remuneration with company performance.</p> <p>Baillie Gifford similarly had policies on remuneration and aligning executive reward with long-term, performance-based targets and the use of independent remuneration committees to carry out the process. Baillie Gifford also provided an example of a vote in March 2022 against the proposed remuneration of independent directors at Bank Rakyat Indonesia due to the pay being incentive-based which could compromise their objectivity.</p>
Risks	✓	<p>LGIM and Baillie Gifford have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>As an example of reducing risk, LGIM encourages all audit committee chairs globally to have a financial background and be entirely comprised of independent non-executive directors.</p> <p>To ensure all risks are identified and captured and allow for effect stewardship, Baillie Gifford expects that all material issues should be set out succinctly in the annual report, and that the approach to governance and sustainability matters should be reported in the context in the whole range of risks and opportunities faced by the company. Baillie Gifford has stated that they will consider voting action if this is not the case.</p> <p>Baillie Gifford opposed a resolution for the company Mesoblast in November 2021 to grant options to a non-executive director due to concerns that it could compromise their independence.</p>

Corporate governance	✓	<p>LGIM believes that board independence, diversity and remuneration can have a financially material impact on the assets it invests within, with the Board ultimately responsible for the strategy for any company that is invested in or held as a counterparty. LGIM has clear voting policies covering each of these topics and have acted on them throughout the Scheme year on behalf of the Trustees.</p> <p>LGIM's policy from 2020 is to vote against all elections which combine the roles of CEO and Chair. From 2021, LGIM has stated they will oppose Directors in Germany from being elected for longer than 4 years to hold Directors to more accountability than in the past.</p> <p>Baillie Gifford state that their ongoing assessment of corporate governance issues may change their view on buying, selling or amending their clients' holdings. It also determines how they choose to vote at company meetings and how they engage with management, the two principal levers they have for influencing change. Baillie Gifford view that for a company's board to be effective it expects that succession planning for key roles, appropriate risk management frameworks and transparency on the process of nomination and appointments to all be in place amongst other factors.</p> <p>As an example, Baillie Gifford voted against a management resolution at the company Tesla Inc in October 2021 to eliminate supermajority voting requirements from the company's bylaws and to adopt a simple majority voting standard.</p>
Social and environmental impact	✓	<p>LGIM has clear voting policies in respect of resolutions surrounding ESG impact. LGIM has engaged with companies that have poor climate scores relative to their size and for those that don't meet minimum standards and if these minimum standards are not met over time, LGIM may look to divest until progress is shown. LGIM has also introduced a policy to vote against the chair of the board of UK companies which fall short on LGIM's ethnic diversity expectations.</p> <p>LGIM supported Apple Inc. shareholders asking for an audit report of civil rights, equity, diversity and inclusion within the company.</p> <p>Baillie Gifford has a policy that boards should ensure that material social and environmental impacts of the business are considered and to make necessary improvements to support the sustainable growth of the business.</p> <p>Baillie Gifford gave an example of a resolution they supported requesting the company BHP Group Plc to strengthen its review of industry associations to ensure that it identifies areas of inconsistency with the Paris Agreement. This resolution had been put forward at the 2019 and 2020 AGMs however failed only receiving 27% and 22% support respectively. In October 2021 it received over 98% support.</p>

Significant votes

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. LGIM has provided examples of what it believes to be the most significant votes cast on the Trustees behalf during the period.

A large number of the most significant votes cast by LGIM related to the election of directors with the majority of instances being against such resolutions. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair noting the belief that the two roles are substantially different and require distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM has adopted the view of voting against all combined board chair/CEO roles. During the Scheme year, LGIM participated in a number of related votes, including withholding from a vote electing Mark Zuckerberg as Director of Facebook, Inc. due to his role as Chair and CEO of the company, and also against electing Jeffrey P. Bezos as Chair of Amazon.com, Inc. due to his previous role as CEO.

A significant vote was also placed in favour of a Report on Civil Rights Audit for Apple Inc. LGIM noted diversity as being a key factor in this decision as LGIM supports proposals related to diversity and inclusion policies as given these issues are considered to be a material risk to companies.

Note that there were no significant votes made for the LGIM Buy and Maintain Credit Fund.

Baillie Gifford recognise that some votes can be more significant than others and that whether a vote is deemed significant is determined by market opinion, media scrutiny or an internal view. A large number of the most significant votes made for the Baillie Gifford Managed Fund relate to governance activities. For example, Baillie Gifford supported a shareholder resolution at Netflix, Inc. for a report on political contributions as Baillie Gifford believe enhanced disclosure on the company's policies and procedures is in shareholders' best interests.

Engagement with investee companies

Exercising equity voting rights is not the only method of influencing behaviours of investee companies and is not directly applicable for the Scheme's non-equity investments as these investments do not carry voting rights. However, the Trustees expect LGIM to engage on its behalf to aim to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

LGIM actively engages with the investee companies via direct messages and meetings with management and engagements via email to influence positive ESG practice. LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account client feedback.

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.

Over the year, LGIM began to release fund specific engagement statistics, with the following table summarising the engagements undertaken on a fund-by-fund basis. The Buy and Maintain Credit Fund statistics below relate to the year to 31 December 2021, as LGIM are yet to publish updated reports. The statistics for the other two funds cover the year to 31 March 2022.

	Total engagements	No. unique companies engaged	Environmental topics	Social topics	Governance topics	Other topics
LGIM Multi-Asset Fund	631	434	312	204	304	91
LGIM All World Equity Index Fund (GBP Hedged)	535	351	284	193	240	85
LGIM Buy and Maintain Credit Fund	178	95	92	63	96	34

For the Scheme's Managed Fund investment, Baillie Gifford provides details of which companies it has engaged with each quarter and under what topics, including corporate governance, environmental / social, and executive remuneration. These reports also include detailed explanation of the meetings held, including who they spoke to at the investee company. Over the scheme year to 31 March 2022, Baillie Gifford carried out 175 engagements with investee companies that are held within the Managed Fund, summarised below:

- 39 on corporate governance topics;

- 59 on social and environmental topics;
- 63 in relation to an upcoming AGM/EGM and the proposed resolutions; and
- 14 on executive remuneration.

The Trustees are comfortable that Baillie Gifford has actively engaged on their behalf on social, environmental and corporate governance topics.

The remainder of the Scheme's assets are invested in leveraged LDI funds with the purpose of reducing risk by hedging the exposure to interest rate and inflation inherent in the Scheme's liabilities and a cash fund for liquidity purposes. LGIM has governance practices in place to capture key regulatory developments which might influence the future management and performance of these hedging assets.

Extent to which the Trustees' policies have been followed during the year

Having reviewed the actions taken by LGIM and Baillie Gifford on behalf of the Trustees, the Trustees believe that their policies on voting rights and engagement have been implemented appropriately over the year and in line with their views. The Trustees will continue to monitor the actions taken on their behalf each year and press for improved engagement information including on ESG reporting metrics from the Investment Managers.

If the Investment Managers deviate substantially from the Trustees' stated policies, the Trustees will initially discuss this with the relevant manager. If in the opinion of the Trustees the difference between the policies and the investment manager's actions is material, the Trustees will consider terminating and replacing the mandate if necessary.

August 2022

For and on behalf of the Trustees of the Marubeni Komatsu Limited Pension and Death Benefit Scheme