



# Marubeni-Komatsu Limited Pension and Death Benefit Scheme

Implementation Statement for year ended 5 April 2024  
October 2024

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## 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 2023 to 5 April 2024 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.

Over the year to 5 April 2024, 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 Manager. The Trustees have enforced the policies in place by monitoring the engagement and voting activities of the Scheme's Investment Manager to ensure they are aligned with the Trustees' policies. The Trustees' voting behaviour over the Scheme year is summarised below.

Over the year to 5 April 2024, the Scheme held the following pooled funds:

- 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 £1.1 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 2024, rather than the Scheme year-end of 5 April 2024.

LGIM Multi-Asset Fund (£12.3m or 49% of Scheme assets as at 5 April 2024)	1 April 2023 – 31 March 2024
Number of meetings LGIM was eligible to vote at over the year to 31/3/2024	9,311
Number of resolutions LGIM was eligible to vote on over the year to 31/3/2024	94,134
Of the eligible resolutions, percentage that LGIM voted on	99.8%
Of the resolutions voted, percentage that LGIM voted <b>with</b> management	76.5%
Of the resolutions voted, percentage that LGIM voted <b>against</b> management	23.2%
Of the resolutions voted, percentage where LGIM <b>abstained</b>	0.3%
Percentage of eligible meetings where LGIM voted at least once against management	72.5%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	14.4%

*Note totals may not sum due to rounding.*

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 2024, rather than the Scheme year-end of 5 April 2024.

LGIM All World Equity Index Fund (GBP Hedged) (£1.1m or 4% of Scheme assets as at 5 April 2024)	1 April 2023 – 31 March 2024
Number of meetings LGIM was eligible to vote at over the year to 31/3/2024	6,557
Number of resolutions LGIM was eligible to vote on over the year to 31/3/2024	64,058
Of the eligible resolutions, percentage that LGIM voted on	99.9%
Of the resolutions voted, percentage that LGIM voted <b>with</b> management	79.3%
Of the resolutions voted, percentage that LGIM voted <b>against</b> management	20.2%
Of the resolutions voted, percentage where LGIM <b>abstained</b>	0.5%
Percentage of eligible meetings where LGIM voted at least once against management	63.5%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	11.4%

*Note totals may not sum due to rounding.*

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 2024, rather than the Scheme year-end of 5 April 2024.

Baillie Gifford Managed Fund (£0.8m or 3% of Scheme assets as at 5 April 2024)	1 April 2023 – 31 March 2024
Number of meetings Baillie Gifford was eligible to vote at over the year to 31/3/2024	233
Number of resolutions Ballie Gifford was eligible to vote on over the year to 31/3/2024	3,176
Of the eligible resolutions, percentage that Ballie Gifford voted on	96.5%
Of the resolutions voted, percentage that Ballie Gifford voted <b>with</b> management	95.7%
Of the resolutions voted, percentage that Ballie Gifford voted <b>against</b> management	3.4%
Of the resolutions voted, percentage where Ballie Gifford <b>abstained</b>	0.9%
Percentage of eligible meetings where Ballie Gifford voted at least once against management	27.0%

*Note totals may not sum due to rounding.*

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 two meetings over the year to 31 March 2024; the voting data is reported below. Note that LGIM have provided voting information for the year to 31 March 2024, rather than the Scheme year-end of 5 April 2024.



LGIM Buy and Maintain Credit Fund (£4.8m or 19% of Scheme assets as at 5 April 2024)	1 April 2023 – 31 March 2024
Number of meetings LGIM was eligible to vote at over the year to 31/3/2024	2
Number of resolutions LGIM was eligible to vote on over the year to 31/3/2024	2
Of the eligible resolutions, percentage that LGIM voted on	100%
Of the resolutions voted, percentage that LGIM voted <b>with</b> management	100%
Of the resolutions voted, percentage that LGIM voted <b>against</b> management	0%
Of the resolutions voted, percentage where LGIM <b>abstained</b>	0%
Percentage of eligible meetings where LGIM voted at least once against management	0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	0%

*Note totals may not sum due to rounding.*

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 as, given the scale of its holdings, the manager cannot be present at all shareholder meetings to cast votes. LGIM votes by proxy through the Institutional Shareholder Services' (ISS) electronic voting platform, ProxyExchange. 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 using the voting information services of ISS, research reports produced by the Institutional Voting Information Service (IVIS) and global voting research from proxy adviser Glass Lewis. To ensure LGIM's proxy provider votes in accordance with their position on ESG, LGIM has put in place a custom voting policy with specific voting instructions.

Baillie Gifford do not outsource voting analysis or recommendations. Baillie Gifford utilise research from proxy advisers for information only. All voting analysis and execution is carried out in-house by Baillie Gifford's central Voting Team in conjunction with investment teams. Occasionally Baillie Gifford investment teams will vote differently on the same general meeting resolution. This aligns with its decentralised and autonomous investment culture. Split votes are reported accordingly in the proxy voting disclosure on Baillie Gifford's website.

## How voting and engagement policies have been followed

The Trustees intend to review and monitor the voting and engagement activity taken on their behalf on an annual basis as part of the preparation of this statement. 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 2024.

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
<b>Performance of debt or equity issuer</b>	✓	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.
<b>Strategy</b>	✓	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 have acted on them throughout the Scheme year on behalf of the Trustees.
<b>Capital structure</b>	✓	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. For example, LGIM has a policy that newly issued shares should not expose minority shareholders to excessive dilution.
<b>Conflicts of interest</b>	✓	Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). 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.  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.
<b>Risks</b>	✓	LGIM and Baillie Gifford have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls. 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.
<b>Corporate governance</b>	✓	LGIM's policy from 2020 is to vote against all elections which combine the roles of CEO and Chair. LGIM has reinforced their position on leadership structures across our stewardship activities such as via individual corporate engagements and director conferences. In 2024, LGIM further enhanced its global policy expectations that at least 40% of company boards and executive leadership teams are women.  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.
<b>Social and environmental impact</b>	✓	LGIM has stated that it will vote against the chair of the board if it believes insufficient action is being taken on the issue of climate change. 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.  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.

## 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. The Trustees have adopted the manager's definition of significant votes and has not set stewardship priorities.

### Example 1: LGIM All World Equity Index Fund – GBP Currency Hedged

<b>Vote details</b>	Apple Inc. – 28 February 2024.  Vote on a report on risks of omitting viewpoint and Ideological diversity from EEO Policy.
<b>Approximate size of fund's holding as at date of vote</b>	3.7%
<b>Rationale for significance</b>	LGIM views diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.
<b>Voting decision</b>	Against.
<b>Where the Investment Manager voted against management, did the Investment Manager communicate the intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
<b>Rationale for the voting decision</b>	LGIM said a vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.
<b>Vote outcome</b>	Fail.
<b>Next steps</b>	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

### Example 2: LGIM Multi-Asset Fund

<b>Vote details</b>	JP Morgan Chase & Co. – 16 May 2023.  Vote on report regarding Climate Transition Plan. Describing efforts to align financing activities with GHG targets.
<b>Approximate size of fund's holding as at date of vote</b>	0.9%
<b>Rationale for significance</b>	LGIM considers this vote to be significant as it pre-declared its intention to support. LGIM continues to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.
<b>Voting decision</b>	For (against management recommendation).
<b>Where the Investment Manager voted against management, did the Investment Manager communicate the intent to the company ahead of the vote?</b>	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.



<b>Rationale for the voting decision</b>	LGIM generally support resolutions that seek additional disclosures on how companies aim to manage their financing activities in line with their published targets. LGIM believes detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
<b>Vote outcome</b>	Fail.
<b>Next steps</b>	LGIM will continue to engage with the company and monitor progress.

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 or in favour of requiring an independent board chair. 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.

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

<b>Example 3: Baillie Gifford Managed Fund</b>	
<b>Vote details</b>	Moderna Inc. – 3 May 2023 Vote on director re-elections.
<b>Approximate size of fund's holding as at date of vote</b>	0.8%
<b>Rationale for significance</b>	Baillie Gifford considers this vote to be significant as it received greater than 20% opposition.
<b>Voting decision</b>	For
<b>Where the Investment Manager voted against management, did the Investment Manager communicate the intent to the company ahead of the vote?</b>	Yes
<b>Rationale for the voting decision</b>	In advance of voting at Moderna's AGM, Baillie Gifford had a call with the Chairman and a separate call with Investor Relations and the Associate General Counsel to help inform its voting decisions on key areas including director re-elections and board composition. Baillie Gifford questioned whether it was fit for purpose given Moderna's rapid growth and asked for more information on the dynamics of the audit committee. A third-party assessment of the board had been carried out and Baillie Gifford will keep in touch with Moderna about board enhancements resulting from this exercise. As a result of these conversations Baillie Gifford were comfortable to support the election of directors.
<b>Vote outcome</b>	Pass
<b>Next steps</b>	Baillie Gifford will keep in touch with Moderna about board enhancements resulting from the third-party assessment of the board.



## Engagement with investee companies

Exercising equity voting rights is not the only method of influencing behaviours of investee companies and is not generally applicable for the Scheme's fixed income investments with LGIM. However, the Trustees expect the investment managers to engage on its behalf to aim to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

LGIM actively engages with investee companies in writing, via conference call and at face-to-face meetings with management. It is also noted that there is substantial overlap between the companies in which LGIM holds debt and equity, and so, while the corporate bonds mandate does not hold voting rights, LGIM's position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM has on each company's practices.

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 2024, LGIM undertook 2,144 engagements with 2,006 companies. Some engagements cover multiple topics and LGIM have provided the following summary:

- 1,820 on environmental topics;
- 274 on social topics;
- 528 on governance issues; and
- 119 on other topics including finance and strategy.

The top five engagement topics included climate change, remuneration, deforestation, diversity and strategy.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop voting and engagement policies and define strategic priorities.

At a fund specific level, LGIM provided the following summary of engagements undertaken for the LGIM Multi-Asset Fund, LGIM All World Equity Index Fund – GBP Currency Hedged, the LGIM Buy and Maintain Credit Fund and the LGIM Sterling Liquidity Fund, in the year to 31 March 2024.

	Total engagements	No. unique companies engaged	Environmental topics	Social topics	Governance topics	Other topics
<b>LGIM Multi-Asset Fund</b>	1,642	1,318	1,230	244	332	84
<b>LGIM All World Equity Index Fund (GBP Hedged)</b>	816	542	552	166	249	82
<b>LGIM Buy and Maintain Credit Fund</b>	177	83	80	60	90	34
<b>LGIM Sterling Liquidity Fund</b>	23	12	21	2	9	-

Source: LGIM.

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 2024, Baillie Gifford carried out 94 engagements with investee companies that are held within the Managed Fund.

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 the Investment Managers on their behalf, the Trustees believe that their policies on stewardship 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 engage and discuss this with the relevant investment manager, and if the Trustees still believe the difference between their policies and the investment manager's actions are material, the Trustees will consider terminating and replacing the mandate if necessary.

**October 2024**

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



