

Mitsui (UK) Retirement Benefits Plan

Engagement policy implementation statement for the year ended 31 March 2021

During the year ended 31 March 2021, the Plan's investment policies were implemented in line with the principles set out in the Plan's Statement of Investment Principles.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager, Legal and General Investment management (LGIM) and to encourage the manager to exercise those rights in accordance with the Statement of Investment Principles. The Mitsui (UK) Retirement Benefits Plan invests through pooled fund arrangements and so acknowledges that the investment manager exercises those rights in accordance with their own corporate governance policies on behalf of all investors in its funds. In doing so LGIM takes account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustees reviewed LGIM's approach to stewardship and are comfortable with the activity taken on the Plan's behalf.

The Trustees conclude that, based on these considerations, LGIM has followed the requirements of the SIP.

Voting behaviour

LGIM's voting decisions are made internally within LGIMs Corporate Governance team, and independently from the investment teams. They are primarily based on LGIM's global corporate governance and responsible investment principles, which set out their global approach to key governance issues. LGIM has supplementary regional policies which set out their approach to more specific regional or country issues taking into account specific market regulation or best practice. LGIM discloses monthly voting records on their website. The reports are published at the end of each month. Additionally, for votes that have received significant press attention, LGIM produces summaries of the firm's positions. The full voting record can be found on LGIM's website linked here: <https://vds.issgovernance.com/vds/#/MjU2NQ==/>

LGIM does not outsource any part of its strategic voting decisions; however ISS (Institutional Shareholder Services) is used for the customisation of LGIM's voting policy, the execution and processing of the voting instruction. LGIM aims to minimise abstentions. Since 2011, it has not abstained in the UK. In other markets, LGIM seeks to minimise abstentions unless it is technically impossible to vote. LGIM regularly engages with the proxy execution agent ISS via direct meetings and through our participation in consultations on regional voting policies.

LGIM summarises its voting record across all markets each quarter. This information is available on request.

Examples of LGIM's engagement activities during 2020:

Active ownership, which is a broader topic than voting in isolation, forms a key part of how LGIM conducts responsible investing. This is reflected in the following activities that are conducted on behalf of the Plan

- Company engagement
- Using voting rights globally, with one voice across all active and index funds
- Addressing systemic risks and opportunities
- Seeking to influence regulators and policymakers
- Collaborating with other investors and stakeholders.

The examples below demonstrate some of the specific initiatives undertaken by LGIM in this regard during the year.

Climate change pledge

A global consensus on climate change has taken shape in just a few years, as wildfires have devastated entire regions, millions have taken to the streets to demand action and COVID-19 has underscored the importance of averting looming threats before it is too late. In recognition of this dramatic shift, LGIM has renewed its Climate Impact Pledge, a programme of targeted engagement with about 80 companies launched in 2016 to hasten the transition to a low-carbon economy. LGIM has broadened the pledge's reach to include hundreds more companies, with the ultimate goal of aiming to achieve net-zero carbon emissions globally by 2050 – an objective of critical importance to society as a whole. LGIM's engagement will continue to carry meaningful consequences, both through voting activity and through capital allocation.

LGIM also signed up to the Net Zero Asset Manager's initiative in December 2020.

Ethnic diversity pledge

Triggered by the horrifying killing of George Floyd LGIM has committed to expand its diversity strategy and corporate engagement – including through strengthened proxy voting policies and a focused outreach campaign regarding diverse board member representation. For companies that fail to meet LGIM's transparent and rules-based minimum expectations, there will be voting and investment consequences.

ICCR Pharma letters

The pharmaceutical industry plays a vital part in a recovery from the pandemic. Improved COVID-19 medical treatments and the discovery of vaccines will form a critical part in fighting the resurgence of infections and preventing or limiting lockdowns going forwards. LGIM became co-signatories to a letter campaign to pharmaceutical companies and have further written on this together with AXA IM and the Access to Medicine Foundation.

LGIM also became a member of the US-based ICCR (the Interfaith Center on Corporate Responsibility) and co-signed with other investors representing more than \$2.4tn in assets. Engagement letters were sent to the world's leading pharmaceutical companies asking for disclosure and commitments related to pandemic preparedness, public investment and "commitment to the public good" (eg fair taxes and lobbying disclosures).

Advocating for diversity through collaborations

LGIM continues to work with other global investors to push for better representation and transparency on policies in the US. During the year, LGIM's coalition of investors sent letters to 18 US companies with less than 20% women on the board, and where board tenure for some non-executive directors is above average.

Significant votes for the Plan during the year

In determining significant votes, LGIM takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA). 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
- Sanction vote as a result of a direct or collaborative engagement
- Vote linked to an LGIM engagement campaign

The most significant votes for the Plan during the year have been summarised in the table below:

Company Name	Details of Vote
Qantas Airways Limited	<p>How LGIM voted: Against</p> <p>The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns.</p> <p>Why was the vote significant?</p> <p>It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.</p>
Imperial Brands plc	<p>How LGIM voted: Against</p> <p>The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking.</p> <p>Why was the vote significant?</p> <p>We are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.</p>
Hollywood Bowl Group	<p>How LGIM voted: Against</p> <p>The bowling alley operator has been financially impacted by the COVID-19 pandemic. This resulted in staff being furloughed and the company not paying dividends to shareholders. Despite this, the remuneration committee decided to exercise its discretion to allow for the performance period of the 2017 Long-Term Incentive Plan (LTIP) award to be reduced from September 2020 to February 2020, to avoid having to factor-in the financial consequences of the pandemic into the incentive plan. This resulted in the pro-rated LTIP vesting at 81% of salary.</p>

	<p>The remuneration committee did not consult with LGIM before taking the decision to retrospectively reduce the performance period of the LTIP. We applied our policy and sanctioned this practice by a vote against the remuneration report. Given the seriousness of our concerns and the precedent this could set, we decided to escalate our vote sanction by a rare vote against all members of the remuneration committee.</p> <p>Why was the vote significant?</p> <p>We took the rare step of escalating our vote against all members of the remuneration committee given the seriousness of our concerns. This highlights the importance of ensuring that executive remuneration remains in line with stakeholder experience.</p>
Toshiba Corp.	<p>How LGIM voted: For</p> <p>Toshiba Corp's extraordinary general meeting (EGM) was precipitated by a significant decline in trust between its shareholders and management team following recent controversies, including allegations of abnormal practices and behaviour by the company surrounding its July 2020 AGM. As a result, the company faced two independent shareholder resolutions at the EGM calling for it to introduce remedies that would restore confidence and trust in the company's governance, management and strategy. LGIM supported the resolution calling for the appointment of investigators to address doubts over the company's 2020 AGM conduct and vote tallying. We believe the enquiry, which is unlikely to be a burden on the company, will be an important step in rebuilding trust between shareholders and the company's executive team and board. We also supported the shareholder resolution mandating the company to present its strategic investment policy to a shareholder vote in order to send a clear message to the Toshiba Board and executive team: shareholders expect increased transparency and accountability.</p> <p>Why was the vote significant?</p> <p>The vote was high profile and controversial.</p>
Samsung Electronics	<p>How LGIM voted: Against</p> <p>In January 2021, Lee Jae-yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds worth about KRW 8.6 billion. Lee Jae-yong was first sentenced to five years in prison in August 2017 for using the company's funds to bribe the impeached former President Park Geun-hye. While Lee was released from prison, he was not acquitted of the charges. Based on the court's verdict, Lee actively provided bribes and implicitly asked then president Park to use her power to help his smooth succession. The court further commented that the independent compliance committee established in January 2020 has yet to become fully effective. LGIM engaged with the company ahead of the vote. However, we were not satisfied with the company's response that ties have been severed. We are concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, we were not satisfied with the independence of the company board and that the independent directors are really able to challenge management. LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.</p> <p>Why was the vote significant?</p> <p>This was a high-profile vote, which has such a degree of controversy that there is</p>

	high client and/or public scrutiny and the sanction vote was a result of a direct or collaborative engagement.
Walgreens Boots Alliance, Inc.	<p>How LGIM voted: Against</p> <p>The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share (EPS) declined by 88% caused a significant misalignment between pay and performance. LGIM had a constructive engagement with the company in November 2020; however, it failed to mention the application of discretion during that call. We found this surprising given the significant impact it had on compensation, which was discussed, giving the company an opportunity to raise this. LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by COVID, many of its shops remained open as they were considered an essential retailer. The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately \$3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting.</p> <p>Why was the vote significant?</p> <p>It was high-profile and controversial.</p>
Barclays	<p>How LGIM voted: For</p> <p>Barclays issued a statement outlining the ambitious target of aligning the entire business to the goals of the Paris Agreement through plans to shrink its carbon footprint to net zero by 2050. LGIM endorsed this proposal, which was voted on by shareholders at the 2020 AGM alongside a shareholder resolution on the same topic. Over the past two years we had extensive discussions with Barclays on its need to have a strategic approach to climate change.</p> <p>The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.</p> <p>The hard work is just beginning. Our focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. We plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.</p> <p>Why was the vote significant?</p> <p>Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.</p>
International Consolidated Airlines Group	<p>How LGIM voted: Against</p> <p>The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model.</p>

	<p>At the end of March 2020, LGIM addressed a private letter to the company to state our support during the pandemic. We also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. We were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. We noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, we have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair, an independent non-executive director, was also recently appointed by the board. He will be starting his new role in January 2021.</p> <p>Why was the vote significant?</p> <p>LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.</p>
EXXONMOBIL	<p>How LGIM voted: Against</p> <p>In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.</p> <p>We believe this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company. Our voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.</p> <p>Why was the vote significant?</p> <p>We voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.</p>
Pearson	<p>How LGIM voted: Against</p> <p>Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This</p>

	<p>resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role.</p> <p>This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO.</p> <p>LGIM spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO and discussed the shortcomings of the company's current remuneration policy.</p> <p>We also spoke with the chair directly before the EGM, and relayed our concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. We also asked that the post-exit shareholding requirements were reviewed to be brought into line with our expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.</p> <p>At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO. Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.</p> <p>Why was the vote significant?</p> <p>Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and our outstanding concerns, we deem this vote to be significant.</p>
Olympus Corporation	<p>How LGIM voted: Against</p> <p>Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM have for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. Last year in February we sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that we expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation.</p> <p>At the beginning of 2020, we announced that we would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the TOPIX100.</p> <p>We opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.</p> <p>Why was the vote significant?</p> <p>This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.</p>

What % of resolutions LGIM voted on where eligible	99.90%
Of the resolutions on which LGIM voted, the % voted with management was	84.09%
Of the resolutions on which LGIM voted, the % voted against management was	15.24%
Of the resolutions on which LGIM voted, the % abstained was	0.68%