

# THE MITSUBISHI BANK LIMITED PENSION AND LIFE ASSURANCE FUND

## Implementation statement for the year ended 31 March 2024

### Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This was last reviewed in October 2022.

In order to establish this policy, the Trustees spent time considering responsible investment and how the Fund's strategy limited the extent to which ESG factors could be integrated, particularly for the Liability Driven Investment (LDI) portfolio. ESG has been discussed regularly at Trustee meetings, and the Trustees have considered the ways in which ESG could be integrated further in the future, and how they could monitor the approach taken by Aviva in the With Profits policy (prior to the surrender of this policy). The policy was incorporated into the SIP in 2019 and reviewed in subsequent updates. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

Given the overall investment strategy and the nature of the underlying investments, the Trustees currently do not take member views into account in the selection, retention and realisation of investments.

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

### Engagement

- Given the current nature of the LDI focused investments, the Trustees have not reviewed the mandate specifically regarding ESG during the year. Nonetheless, the Trustees are aware of the investments manager's wider policies relating to responsible investment and are comfortable that such matters are taken seriously at a corporate level and are in line with the expectations of the Scheme.
- The Trustees requested that LGIM, its only investment manager, confirm compliance with the principles of the UK Stewardship Code. LGIM confirmed that they are signatories of the UK Stewardship Code. They are also signatories of the United Nations Principles for Responsible Investment (UN PRI).
- Where relevant the Trustees consider how ESG, climate change and stewardship is integrated within the investment providers' investment processes (and those of the underlying investments in the case of Aviva, prior to the surrender of this policy) in the monitoring process. In such cases the investment managers are expected to provide reporting on a regular basis, usually at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon footprinting for equities and/or climate scenario analysis for diversified portfolios.
- As noted, given the nature of the Fund's investment strategy it is expected that ESG integration will be limited, especially within the LDI portfolio.

- The Scheme's invested assets (LDI) have limited engagement opportunities and hold no voting rights. For the insurance annuity policy held, the insurer, Aviva, controls how the underlying assets of the policies are invested, including which asset classes are used. The Trustees may periodically request information from Aviva on their approach to ESG where it is relevant to the underlying holdings of the insurance policies held.
- The Trustees also requested details of relevant engagement activity for the year. Whilst not directly relevant to the LDI funds held by the Scheme, the Trustees are aware of LGIM's wider engagement activities, highlighting examples below:
  - **Environmental:** In 2023, LGIM announced that the investment manager is now a member of Nature Action 100 (NA100), a global investor initiative co-led by Ceres and the Institutional Investors Group on Climate Change (IIGCC), with support from Finance for Biodiversity and Planet Tracker. Focused on corporate engagement, NA100 aims to encourage greater corporate ambition and action on nature and biodiversity loss, by setting a common agenda and clear set of expectations for companies. 190 institutional investor participants – representing US\$23.6 trillion in assets under management or advice – have joined NA100 and will be participating in direct engagement with 100 companies through the initiative.
  - **Social:** LGIM sent engagement letters to sixteen large-cap UK and US companies that, according to its data, have no women on their executive leadership team. LGIM's expectation is for these companies to have at least one woman in their executive leadership team, increasing to 40% over time. So far, LGIM have had responses from seven of the companies, which they see as an encouraging start. LGIM say they have also had two follow-up calls with companies to discuss the issue in more detail.
  - **Governance:** Over the last quarter of 2023, LGIM published its annual updates to its UK and North America executive pay principles, setting out the firm's minimum expectations of companies and how LGIM will be voting on these issues in 2024. In North America, LGIM will vote against management for certain benefit structures and based on CEO to median employee pay ratios.
- LGIM is targeting net-zero emissions by 2050 or sooner and have their own Climate Impact Pledge. Moreover, LGIM already produces a TCFD report.
- The Trustees are aware that whilst currently the invested assets held with LGIM mean that direct ESG integration is difficult, they are committed to monitoring developments in this area. This includes reviewing the appropriateness of so called 'Green Gilts' which the UK government began to issue in 2021. The Trustees note that there remain a limited number of green gilts in issuance, and the Trustees would expect to revisit this topic if issuance increases.

The Trustees periodically request details on the extent to which the investments underlying the insurance policies held by Aviva integrate ESG. This was especially relevant when the Fund held a large allocation to the With-Profits policy, however, that has now been surrendered and the only Aviva holding is the relatively small annuity policy. Whilst the Trustees cannot control how the underlying assets backing the policy are invested by Aviva, they have previously obtained details of their Responsible Investment policy and related reporting.

Aviva Investors are PRI signatories and are also signatories of the UK Stewardship Code.

### Voting Activity

The Trustees have delegated their voting rights to the investment managers, when those rights are attached to the investments held by the Scheme. As noted, this is not relevant for the LDI funds.

As the Scheme's investable assets are pooled investments, any voting rights would be exercised by the investment manager appointed by the Trustees in line with their stated policies.

Given that the Scheme did not hold any investible assets with voting rights over the year to 31 March 2024, the Trustees do not actively monitor the action of the investment manager in this area. If this situation were to change, the Trustees would monitor the voting and engagement activities of the investment manager on a periodic basis, and discuss voting and engagement activities with the manager if appropriate.

### **Significant Votes**

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

The Trustees define a significant vote as one that is linked to the Fund's stewardship priorities/themes. A vote could also be significant for other reasons, e.g. due to the size of holding. Given the nature of the Fund's holdings, this is unlikely to be a material consideration for the Trustees, particularly as the assets are currently entirely invested in LDI (including gilts, index-linked gilt, leveraged gilt and index-linked gilt funds, and cash).