

Implementation statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 March 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Investment Objectives of the Fund

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set.

The Trustees aim to invest the assets of the Fund prudently to ensure that the benefits promised to members are provided. This is achieved through investing in a with-profits deferred annuity policy with Aviva (formerly Commercial Union) and a series of physical and derivative-based gilt and index-linked gilt funds with Legal & General Investment Management ("LGIM").

Over the year to 31 March 2021, there were no changes to the strategic asset allocation of the Scheme.

Within this context, the objectives of the Fund included in the SIP are as follows:

- to maximise the long-term return on the Fund's assets without undue exposure to risk in the more adverse investment conditions;
- to ensure that sufficient liquid assets are available to meet benefit payments as they fall due; and
- to consider the interests of the Bank in relation to the size and volatility of the contribution requirements.

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 September 2020.

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 can monitor the approach taken by Aviva in the With Profits policy. The policy was incorporated into the SIP in 2019. 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 current UK Stewardship Code and have submitted the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020. The Financial Reporting Council has confirmed that LGIM will remain signatories of the 2021 UK Stewardship Code.
- 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) 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.

Trustees' Report

- 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 policies held, the insurer, Aviva, controls how the underlying assets of the policies are invested, including which asset classes are used. The Trustees will continue to seek information from Aviva on their approach to ESG where it is relevant to the underlying holdings of the insurance policies held.
- The Trustees also required 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:** Oil companies have begun to adopt net zero emissions targets, relating not just to their operations, but also the use of their products (by far the largest source of emissions for the industry). BP plans to curb oil and gas production significantly, broadly in line with global climate targets. "We listened and we learned," said Bernard Looney, BP CEO, reflecting on shareholder engagement co-led by LGIM, as part of the Climate Action 100+ investor coalition.
 - **Social:** LGIM held a number of meetings with senior management at food and beverage company Mondelez in 2020. LGIM focused on risk in sourcing key ingredients (wheat and cocoa), the proportion of healthy snacks in overall product mix, packaging and ESG reporting. Following LGIM's engagements, the company extended its Cocoa Life and other raw material sourcing initiatives down the value chain and beyond Europe and the US. It committed to healthy snacks increasing beyond 30% (currently), with this target included as part of senior management compensation. Future engagement is required to advance ESG initiatives and supply-chain risk and to improve disclosure.
 - **Governance:** One of the US companies targeted by LGIM to improve pay for performance alignment was Microsoft. LGIM collaborated on driving appropriate pay alignment in the industry and requiring more formulaic financial targets to align pay for senior management. LGIM discussed further the company's workforce diversity agenda, with a commitment to 30% of senior management coming from ethnic minorities, and strengthened remuneration alignment through the inclusion of diversity targets within pay KPIs.
- LGIM is targeting net-zero emissions by 2050 or sooner and have their own Climate Impact Pledge. Moreover, LGIM already produces a TCFD report.
- In 2020, LGIM was ranked highest among asset managers for their approach to climate change in a review by NGO ShareAction, with the UN-backed Principles for Responsible Investment (PRI) also selecting LGIM as part of its 'leaders group' on climate change. In early 2021, meanwhile, Corporate Adviser found LGIM the highest ranking asset manager in a meta study of industry metrics of actions taken by institutional investors on ESG and climate change.
- 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 will begin to issue later in 2021.

The Trustees have previously obtained details of the extent to which the investments underlying the insurance policies held by Aviva integrate ESG. Whilst the Trustees cannot control how the underlying assets backing the policy are invested by Aviva, they have set out their expectations for Aviva in relation to integrating ESG. Aviva confirmed that currently the investments are managed by Aviva Investors. They have shared details of their Responsible Investment policy and confirmed that an annual ESG report is produced for the investment manager as a whole. Aviva Investors are PRI signatories and are Tier 1 signatories of the current 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 2021, 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.

The Mitsubishi Bank Limited Pension and Life Assurance Fund

Annual Report for the year ended 31 March 2021

Actuarial Certificate

Details of the voting record of Aviva Investors, who are currently the underlying investment manager for the deferred annuity contract, are available covering their global voting record. The underlying investments assigned to the Trustees' insurance policy will vary over time, but the Trustees are satisfied that stewardship and voting activities are given significant resource and consideration.