

# Implementation Statement

## The Canon Medical Systems Limited Retirement Benefits Scheme

This is the Implementation Statement prepared by the Trustees of the Canon Medical Systems Limited Retirement Benefits Scheme ("the Scheme") and sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 31 March 2021.

### How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.

Investment rights (including voting rights) have been exercised by the investment managers in line with the investment managers' general policies on corporate governance. The Trustees also expect the investment managers to have engaged with companies in relation to ESG matters, and to take these into account in the selection, retention and realisation of investments where appropriate.

The Trustees undertook an initial review of the ESG approach of the current managers at their 11 February 2020 meeting and were satisfied that their policies were reasonable and no remedial action was required at that time.

The Trustees are comfortable with the investment managers' strategies and processes for exercising rights and conducting engagement activities. Through preparation of the Implementation Statement, the Trustees reviewed the stewardship and engagement activities of their investment managers, and were satisfied that the policies followed by the managers were reasonable and in alignment with the Trustees' own policies. No remedial action was required during the period.

### Voting Data

Voting only applies to equities held in the portfolio. As such, the LGIM All Stocks Index-Linked Gilts Fund and the LGIM Core Plus fund do not participate in voting activities as they hold no equities. The Scheme's equity investments are all held in pooled funds. The use of pooled funds means that there is limited scope for the Trustees to influence voting, which is carried out by the fund managers on behalf of the Trustees. The investment managers for these funds vote on behalf of the Trustees and the votes made over the year are summarised in the following tables. The first table summarises the voting activity undertaken by the manager over the year to 31 March 2021 while the others go into detail about significant votes each fund was involved with.

Manager	LGIM	LGIM
<b>Fund name</b>	Dynamic Diversified Fund	Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged
<b>Structure</b>	Pooled	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
<b>Number of company meetings the manager was eligible to vote at over the year</b>	7,887	7,515
<b>Number of resolutions the manager was eligible to vote on over the year</b>	83,262	79,697
<b>Percentage of resolutions the manager voted on</b>	99.90%	99.87%
<b>Percentage of resolutions the manager abstained from</b>	0.68%	0.70%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	84.09%	84.31%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	15.24%	14.99%
<b>Percentage of resolutions voted <i>contrary to the recommendation of the proxy advisor</i></b>	0.25%	0.26%

Some voting percentages quoted above may not sum to 100.00%. Managers' assure us that this is due to classifications of votes and abstentions both internally and across different jurisdictions.

There are no voting rights attached to the other assets held by the Scheme and therefore there is no voting information shown above for these assets.

## Significant votes

For the first year of implementation statements we have delegated to the investment managers to define what a "significant vote" is. The Scheme's investment adviser requested key voting data from the asset managers. A summary of the data provided by the Scheme's managers is set out below.

Every vote applies to the LGIM Dynamic Diversified Fund and the LGIM Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged.

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Qantas Airways Limited	Whitehaven Coal	International Consolidated Airlines Group
<b>Date of vote</b>	23 October 2020	22 November 2020	7 September 2020
<b>Summary of the resolution</b>	<ol style="list-style-type: none"> <li>1. Approval of Alan Joyce's participation in the Long-Term Incentive Plan</li> <li>2. Approval of the remuneration report</li> </ol>	Approval of capital protection, including a report on the company's potential wind-down of its coal operations and returning increasing amounts of capital to shareholders.	Approval of remuneration report
<b>How the manager voted</b>	<ol style="list-style-type: none"> <li>1. Against</li> <li>2. For</li> </ol>	For	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.		
<b>Rationale for the voting decision</b>	The grant for the Long-Term Incentive Plan remained in place despite the struggles the company has faced following the COVID-19 crisis, therefore the manager voted against this resolution. However, the remuneration report included executive salary cuts, short-term incentive cancellations and deferment of the long-term incentive plan, which the manager felt reflected the impact of the COVID-19 crisis and therefore voted for.	LGIM advocates for a "managed decline" for fossil fuel companies, in line with global climate targets and in support of capital being returns to shareholders rather than risking capital expenditure on potential stranded assets.	The remuneration paid to executives was considered excessive by the manager, especially because the COVID-19 crisis has negatively impacted the company and led the announcement of a 30% cut in its workforce.
<b>Outcome of the vote</b>	<ol style="list-style-type: none"> <li>1. 90% supported the resolution</li> <li>2. 91% supported the resolution</li> </ol>	4% voted in favour of the resolution.	28.4% voted against the resolution.
<b>Implications of the outcome</b>	LGIM will continue to engage with the company.	LGIM continues to monitor the company and notes that it pled guilty to 19 charges for breaching mining laws that cause "significant environmental harm". The company is on LGIM's Future World Protection List of exclusions.	LGIM will continue to engage with the renewed board.

<b>Criteria on which the vote is considered “significant”</b>	The manger considers this vote to be significant because it highlighted the challenges of considering the COVID-19 crisis into the remuneration package.	The manger considers this vote to be significant because it received media scrutiny and showcases increasing “green” shareholder activism.	The manager considers this vote significant as it highlights the importance of monitoring investee companies’ responses to the COVID-19 crisis.
	<b>Vote 4</b>	<b>Vote 5</b>	<b>Vote 6</b>
<b>Company name</b>	Lagardère	Imperial Brands plc	Pearson
<b>Date of vote</b>	5 May 2020	3 February 2021	18 September 2020
<b>Summary of the resolution</b>	<ol style="list-style-type: none"> <li>1. Appointment of eight new directors</li> <li>2. Removal of incumbent directors</li> </ol>	<ol style="list-style-type: none"> <li>1. Approve Remuneration Report</li> <li>2. Approve Remuneration Policy.</li> </ol>	Amend remuneration policy
<b>How the manager voted</b>	<ol style="list-style-type: none"> <li>1. For five of the eight proposed candidates</li> <li>2. For the removal of five incumbent directors</li> </ol>	<ol style="list-style-type: none"> <li>1. Against</li> <li>2. Against</li> </ol>	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.		
<b>Rationale for the voting decision</b>	The manager voted for as the company strategy was not creating value for shareholders, the board members were not sufficiently challenging management, and there were various governance failures.	The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. 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.	Pearson issued a series of profit warnings under its previous CEO. The company decided to put forward an all-or-nothing proposal in the form of an amendment to the company’s remuneration policy. 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.
<b>Outcome of the vote</b>	30%-40% of shareholders voted for the resolutions.	<ol style="list-style-type: none"> <li>1. 59.7% supported the resolution</li> <li>2. 95.3% supported the resolution</li> </ol>	33% voted against the resolution
<b>Implications of the outcome</b>	LGIM will continue to engage with the company on its future strategy and to keep the Supervisory Board under review.	LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually	Such significant dissent demonstrates the scale of investor concern with the company’s approach. It is important that the company has a new CEO; but key governance

		publishes remuneration guidelines for UK listed companies.	questions remain which will now need to be addressed through continuous engagement.	
<b>Criteria on which the vote is considered "significant"</b>	The manager considered this vote to be significant due to the media attention and public interest in the proposed revocation of the board.	LGIM are concerned over the ratcheting up of executive pay; and 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.	Given the unusual approach taken by the company and their outstanding concerns, LGIM deem this vote to be significant.	
	<b>Vote 7</b>	<b>Vote 8</b>	<b>Vote 9</b>	<b>Vote 10</b>
<b>Company name</b>	SIG plc.	Barclays	Mitchells & Butlers	Medtronic plc
<b>Date of vote</b>	9 July 2020	7 May 2020	11 March 2021	11 December 2020
<b>Summary of the resolution</b>	Approve one-off payment to Steve Francis	<ol style="list-style-type: none"> <li>1. Approval of Barclays' Commitment in Tackling Climate Change</li> <li>2. Approval of ShareAction's Requisitioned Resolution</li> </ol>	<ol style="list-style-type: none"> <li>1. Authorise Issue of Equity in connection with the Open Offer</li> <li>2. Authorise Issue of Shares Pursuant to the Open Offer at a Discount to Middle Market Price</li> <li>3. Authorise Implementation of Open Offer</li> </ol>	Advisory Vote to Ratify Named Executive Officers' Compensation.
<b>How the manager voted</b>	Against	<ol style="list-style-type: none"> <li>1. For</li> <li>2. For</li> </ol>	<ol style="list-style-type: none"> <li>1. Against</li> <li>2. Against</li> <li>3. Against</li> </ol>	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management.			
<b>Rationale for the voting decision</b>	LGIM does not generally support one-off payments. They believe that the remuneration committee should ensure that executive directors have a policy in place that is appropriate for their role. The size of the payment was a concern	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers.	The company sought shareholder approval for an equity raise through an underwritten Open Offer in March 2021. LGIM opposed Open Offer given their concerns about the influence of the newly incorporated holding company, Odyzean	Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as they are not supportive of one-

	because it was for work carried over a two-month period, yet was equivalent to 65% of his annual salary. Also, £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that SIG plc needed to raise additional funding through a highly dilutive share issue.		Limited, over their investee company's governance and the interests of minority investors. LGIM would have expected a fair traditional rights issue to protect minority investors.	off awards. in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met
<b>Outcome of the vote</b>	44% voted against the resolution	<ol style="list-style-type: none"> <li>99.9% supported the resolution</li> <li>23.9% supported the resolution</li> </ol>	6.8% voted against these resolutions	91.7% supported the resolution
<b>Implications of the outcome</b>	LGIM intend to engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.	LGIM will continue to work closely with the Barclays board and management team to develop their plans. LGIM will also continue to liaise with ShareAction, Investor Forum and others to ensure a consistency of messaging and to continue to drive positive change.	LGIM will continue to monitor the company closely.	LGIM will continue to monitor this company.
<b>Criteria on which the vote is considered "significant"</b>	The vote is high-profile and controversial.	The manager considers this vote significant because there was significant client interest in their voting and engagement activities with regards to the Barclays 2020 AGM.	LGIM have taken the rare step of opposing a capital raise given their serious concerns for minority shareholders' rights.	LGIM believe it is contrary to best practice in general and their pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment.

## Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustees.

### Data Limitations

Information relating to fund level engagement policies was requested from the Scheme's investment manager, LGIM. LGIM have provided their data at a firm level, rather than at fund level. The Trustees' investment consultants are working with the manager to improve the depth of the information provided in the requested format.

The table below provides a summary of the engagement activity undertaken by managers during the year at a firm level.

Manager	LGIM
<b>Fund name</b>	Applicable for all LGIM Funds
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	Not Provided
<b>Number of engagements undertaken at a firm level in the year</b>	974
<b>Number of companies the manager engaged with at a firm level during the year</b>	874

<b>Examples of engagements undertaken with holdings in the fund</b>	<p>The top engagement topics over the year to 31 March 2021 were:</p> <ul style="list-style-type: none"> <li>• Remuneration</li> <li>• Board compensation</li> <li>• Strategy</li> <li>• Climate change</li> <li>• COVID-19</li> <li>• Gender and ethnic diversity</li> <li>• Disclosures</li> <li>• Public health</li> <li>• Climate change</li> <li>• ESG disclosures (including LGIM ESG Score)</li> </ul> <p>An example is LGIM's engagement regarding Barclays' AGM, in which there has been significant client interest. LGIM endorsed Barclays' ESG target, to shrink its carbon footprint to net zero by 2050, and are focusing on helping Barclays develop plans and achieve their target.</p>
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