

Implementation Statement

The Canon Medical Systems Limited Retirement Benefits Scheme

Purpose of this statement

This Implementation Statement has been prepared by the Trustees of the Canon Medical Systems Limited Retirement Benefits Scheme ("the Scheme") and sets out the following information over the year to 31 March 2022:

- How the Trustees' policies on exercising rights (including voting rights) and engagement have been followed over the year.
- The voting activity undertaken by the Scheme's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that their policies on voting and engagement have been met in the following ways:

- 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.
- The Trustees received a reminder of the stewardship and engagement approach of the current managers at their 16 February 2022 meeting and were satisfied that their approach was reasonable and no remedial action was required at that time. The Trustees also agreed to further consider ways to integrate ESG factors into their equity investments.
- At the meeting on 16 February 2022, the Trustees also obtained training on ESG considerations in order to understand better how ESG factors including climate change could impact the Scheme and its investments.
- Annually the Trustees receive and review voting information and engagement policies from the asset managers, which we review to ensure alignment with our own policies. This exercise was undertaken alongside the preparation of the Implementation Statement.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund manager is in alignment with the Scheme's stewardship policies.

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force on 31 March 2022 describes the Trustees' policies on the exercise of rights (including voting rights) and engagement activities as follows:

"The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the relevant fund managers. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including

where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses."

The Trustees' SIP was last reviewed in October 2021. The SIP has been made available online here: <https://uk.medical.canon/wp-content/uploads/sites/8/2021/12/2021-10-Canon-SIP-v1.0-for-online.pdf>

**Prepared by the Trustees of the Canon Medical Systems Limited Retirement Benefits Scheme
June 2022**

Voting Data

Voting only applies to equities held in the portfolio. As such, the LGIM All Stocks Index-Linked Gilts Fund does 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 2022 while the others go into detail about significant votes each fund was involved with.

Manager	LGIM	LGIM
Fund name	Dynamic Diversified Fund	Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged
Structure	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
Number of company meetings the manager was eligible to vote at over the year	7,193	7,142
Number of resolutions the manager was eligible to vote on over the year	71,658	72,767
Percentage of resolutions the manager voted on	99.79%	99.85%
Percentage of resolutions the manager abstained from	0.91%	1.13%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	80.24%	81.96%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	18.85%	16.90%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	11.31%	9.22%

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

Significant votes

For 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. LGIM have provided a large selection of votes which they believe to be significant, and in the interest of concise reporting the tables below show 3 of these votes.

Every vote applies to both the LGIM Dynamic Diversified Fund and the LGIM Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged, as there is a lot of overlap across the equity holdings in each fund.

	Vote 1	Vote 2	Vote 3
Company name	Recruit Holdings Co, Ltd.	Facebook, Inc.	Mitsubishi UFJ Financial Group, Inc.
Date of vote	17 June 2021	26 May 2021	29 June 2021
Summary of the resolution	Amend Articles to Allow Virtual Only Shareholder Meetings	Elect Director Mark Zuckerberg	Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement
How the manager voted	Against	Withhold	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is LGIM’s policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	The passage of this proposal will authorize the company to hold virtual meetings permanently, without further need to consult shareholders, even after the current health crisis is resolved. The proposed language fails to specify situations under which virtual meetings will be held, raising concerns that meaningful exchange between the company and shareholders could be hindered, especially in controversial situations such as when shareholder proposals are submitted, a proxy fight is waged, or a corporate scandal occurs.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM are voting against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on LGIM’s website), and have reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.	LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM positively note the company’s recent announcements around net-zero targets and exclusion policies, they think that these commitments could be further strengthened and they believe the shareholder proposal provides a good directional push.
Outcome of the vote	83.8% of shareholders supported the resolution.	97.2% of shareholders supported the resolution.	22.7% of shareholders supported the resolution.

Implications of the outcome	LGIM will continue to engage on this important ESG issue.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage on this important ESG issue.
Criteria on which the vote is considered "significant"	This was a high profile vote where the company proposed a change in articles to allow virtual-only AGMs beyond the temporary regulatory relief effective for 2 years from June 2021.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	LGIM views climate change as a financially material issue for our clients, with implications for the assets we manage on their behalf. This was also a high profile proposal in Japan, where climate-related shareholder proposals are still rare.

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 engagement examples at a firm level, rather than at fund level. The table below provides a summary of the engagement activity undertaken by managers during the year at a firm level.

Engagement activities are limited for the Scheme's gilt fund due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	LGIM	LGIM
Fund name	Dynamic Diversified Fund	Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	640	617
Number of engagements undertaken at a firm level in the year	696	696
Number of companies the manager engaged with at a firm level during the year	593	593

Manager	LGIM	LGIM
	<p>The top engagement topics over the year to 31 March 2022 were:</p> <ul style="list-style-type: none"> • Remuneration • Climate Change • Board Composition • Climate Impact Pledge • Public Health • Strategy • Diversity, including ethnic diversity • Water • Energy 	
Examples of engagements undertaken with holdings in the fund	<p>LGIM co-filed a shareholder resolution calling on Sainsbury's to become a living-wage accredited employer by its AGM in 2023. Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited. LGIM decided to co-file this resolution because of Sainsbury's decision to split its London employees into 'inner' and 'outer' London, with those in 'outer' London paid less than the real living wage of £11.05 per hour ('outer' London employees were offered £10.50 per hour). Although the hourly rate differential appears small, when multiplied by the total hours worked, this would make a material impact on affected employees' ability to meet the demands of the cost-of-living crisis as inflation costs soar and the economy struggles to recover from the effects of the COVID-19 pandemic. We are delighted to see that on 8 April, Sainsbury's announced that it would increase the wages of their 'outer' London employees to match their 'inner' London employees.</p>	