

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 2023:

- 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.

Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force at 31 March 2023 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in February 2023 and has been made available online here:

<https://uk.medical.canon/wp-content/uploads/sites/8/2023/03/2023-02-Canon-SIP-v1.0-clean.pdf>

At this time, the Trustees have not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. The Trustees focused reviewing and aligning the investment strategy with the Scheme's long-term target over the period.

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.
- Annually the Trustees receive and review voting and engagement information from the asset managers. This exercise was undertaken alongside the preparation of the Implementation Statement.
- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund managers are in alignment with the Scheme's stewardship policies.

**Prepared by the Trustees of the Canon Medical Systems Limited Retirement Benefits Scheme
June 2023**

Voting Data

Voting only applies to equities held in the portfolio. As such, the LGIM All Stocks Index-Linked Gilts Fund, LGIM Matching Core Funds, LGIM Over 15 Year Gilts Index Fund and LGIM Over 5 Year Index-Linked Gilts Index 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 2023 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	9,541	7,319
Number of resolutions the manager was eligible to vote on over the year	99,647	76,499
Percentage of resolutions the manager voted on	99.8%	99.9%
Percentage of resolutions the manager abstained from	0.7%	1.1%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	77.6%	80.7%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	21.7%	18.2%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	12.6%	9.7%

Some voting percentages quoted above may not sum to 100.0%. The managers assure us that this is due to classifications of votes and abstentions both internally and across different jurisdictions.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities / themes. At this time, the Trustees have not set stewardship priorities / themes for the Scheme, but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

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	Royal Dutch Shell Plc	Amazon.com, Inc.	BP Plc
Date of vote	24 May 2022	25 May 2022	12 May 2022
Summary of the resolution	Approve the Shell Energy Transition Progress Update	Elect Director Daniel P. Huttenlocher	Approve Net Zero - From Ambition to Action Report
How the manager voted	Against	Against	For
Rationale for the voting decision	Climate Change: LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030. However, LGIM remain concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	Climate change: While LGIM note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is LGIM’s view that the company has taken significant steps to progress towards a net zero pathway.
Outcome of the vote	79.9% voted in favour of the resolution.	93.3% voted in favour of the resolution.	88.5% voted in favour of the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered “significant”	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and our

public call for high quality and credible transition plans to be subject to a shareholder vote.

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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 funds and LDI funds 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	979	834
Number of engagements undertaken at a firm level in the year		1,685
Number of companies the manager engaged with at a firm level during the year		1,373

Examples of engagements undertaken with holdings in the fund

The top engagement topics over the year to 31 March 2023 were:

- Remuneration
- Climate Change
- Board Composition
- Climate Impact Pledge
- Public Health
- Strategy
- Gender diversity
- Ethnic diversity
- Energy

LGIM has undertaken numerous engagements with the Capricorn board over the past nine months to express their widespread concerns with the transactions the board has proposed, including the NewMed transaction. In particular, LGIM noted the timing of the proposed meetings as a matter of grave concern. The decision to hold the company's meeting before the shareholder requisitioned meeting appeared to be a direct attempt to

Manager

LGIM

LGIM

undermine due process. It was LGIM's view that meaningful board change was needed to restore investor confidence.

The company announced the resignation of the seven directors who were proposed to be removed, and in the shareholder AGM held on 1 February 2023, all six directors proposed by the proponent were elected by an overwhelming majority of 99.2% of the votes cast. The newly constituted board intended to conduct a comprehensive strategic review of Capricorn's business and potential directions for the future.