

Cromwell Hospital Retirement Benefits Plan Implementation Statement

Purpose

This statement provides information on how, and the extent to which, the Trustees' policies in relation to the exercising of rights (including voting rights), attached to the Plan's investments, and engagement activities have been followed during the year ended 5 April 2020 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

In Q3 2019, the Trustees received training on Environmental, Social and Governance ("ESG") issues from their Investment Adviser, XPS Investment Limited ("XPS") and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues which, up until that point, had simply been that this was delegated to the investment managers on the basis that they set the policy for on behalf of all unit holders in the pooled funds. The Trustees' new policy was documented in the updated Statement of Investment Principles dated 11 September 2019.

The Trustees' updated policy

The Trustees believe that there can be financially material risks relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan's investment managers. The Trustees require the Plan's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees have decided that, an 'aspirational' ESG policy is adopted, noting Bupa group policy. In particular, the Trustees have decided that the ESG characteristics of any new fund to be selected should be such that they exclude any investments that have exposure to tobacco, coal, controversial weapons and tar sands so far as it is practicable to do so.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, the Trustees undertook a selection exercise for a multi sector credit mandate. One of the selection criteria was that the proposed pooled fund would need to be screened against the Bupa group policy, subject to the caveats in the Trustees' policy and be green rated by XPS for ESG. Although no funds were invested into the fund during the reporting year, the final selected fund is the Ninety One Multi Asset Credit Fund.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this

statement. Further, the Trustees have set XPS the objective of ensuring the selected managers reflect the Trustees’ views on ESG (including climate change) and stewardship.

During the reporting year, the Trustees commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the investment manager organisations appointed to the Plan. The Trustees recognise that the level of ESG integration within the investment processes is dependent on the asset class in question. The report was discussed after the reporting year end.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually. Stewardship and ESG matters are therefore regularly discussed at Trustees’ meetings. The Trustees monitor the extent to which the funds held by the Plan have exposure to sectors on the Bupa exclusions list.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Plan has specific allocations to global equities, and investments in equities will also form part of the strategy for the diversified growth funds in which the Plan invests. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations can be found below. This wording has been supplied by the investment managers: the use of possessive pronouns such as “us” or “our” refer to the investment managers and not the Trustees.

Legal and General Investment Management:

Fund Information
Legal and General Investment Management Dynamic Diversified Fund
The fund manager has not provided stewardship code data at present
The manager voted on 97.5% of resolutions of which they were eligible out of 54221 eligible votes.
Investment Manager Client Consultation Policy on Voting
<p>LGIM’s voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.</p> <p>Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead.</p> <p>We also consider client feedback received at regular meetings and/ or ad-hoc comments or enquiries.</p>
Investment Manager Process to determine how to Vote

All decisions are made by LGIM’s Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

How does this manager determine what constitutes a 'Significant' Vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of ‘significant vote’ by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM’s vote positions to clients for what we deemed were ‘material votes’. We are evolving our approach in line with the new regulation and are committed to provide our clients access to ‘significant vote’ information.

In determining significant votes, LGIM’s Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

We will provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

If you have any additional questions on specific votes, please note that we publicly disclose our votes for the major markets on our website. The reports are published in a timely manner, at the end of each month and can be used by clients for their external reporting requirements. The voting disclosures can be found by selecting ‘Voting Report’ on the following page:

http://documentlibrary.lgim.com/litlibrary/lglibrary_463150.html?req=internal

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Oil Sector Company	Resolution 22 - Approve the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures.	For	99.1% support
LGIM continues to engage with the company and monitor progress.			
Pharmaceutical Sector Company	Resolution 2 - Approve Discharge of Management Board for Fiscal 2018	Against	44.5% for; 55.5% against
The company subsequently established a glyphosate litigation committee to monitor litigation and consult with the board. We will continue to pay close attention to the litigation and any possible settlements, as well as the			

<p>decisions of the company's remuneration committee. The company also announced that the chair would step down at the 2020 AGM.</p>			
<p>Ophthalmic Lens Sector Company</p>	<p>Resolution A, B and C: X as Director; Elect Y as Director; Elect Z as Director</p>	<p>For</p>	<p>Resolution A: 43.7% support; Resolution B: 34.1% support</p>
<p>Before the AGM was due to take place, the company's board announced that it had reached a governance agreement and all disputes had been resolved. The company's CEOs had been tasked with focusing on the integration process and to accelerate the simplification of the company. The board confirmed that neither CEO would seek to become the leader of the combined entity. The board nominees received significant support from the company's independent shareholders, equalling respectively 43.7% and 35% of the total votes. We continue to engage with the company for the benefit of our clients.</p>			
<p>Car Manufacturing Sector Company</p>	<p>Resolution 5.2 - Elect X as a Member of Audit Committee Resolution 5.4 - Y a Member of Audit Committee</p>	<p>For</p>	<p>Both resolutions were defeated. Detailed meeting results are not available for this meeting.</p>
<p>Management's proposals were defeated at both companies' AGMs. However, the two companies decided to broaden the skillset of their boards through the appointment of new directors from outside the group. The management also supported the introduction of separate board committees, including a remuneration committee. Following the vote, the CEO confirmed that the group would listen more to dissenting shareholders.</p>			
<p>Car Manufacturing Sector Company</p>	<p>Resolution 4.3 - Elect X as a Member of Audit Committee Resolution 4.4 – Elect Y as a Member of Audit Committee Resolution 4.5 - Elect Z as a Member of Audit Committee</p>	<p>For</p>	<p>All three resolutions were defeated. Detailed meeting results are not available for this meeting.</p>
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Fund Information

Legal and General Investment Management Global Equity 70:30 Index Fund – GBP 75% Currency Hedged

The fund manager has not provided stewardship code data at present

The manager voted on 98% of resolutions of which they were eligible out of c50000 eligible votes.

Investment Manager Client Consultation Policy on Voting

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Transport Operating Sector Company	Resolution a - Remove X as Director	For	29.3% for
<p>Many of the company's top shareholders publicly preannounced their support to the activist's proposals. More than 20% of shareholders voted in favour of several resolutions against the board's recommendations. The activist's proposal to remove the chair from the board obtained 29% of support from shareholders. The chair took into account the shareholder vote and decided to leave the board.</p> <p>The SID led the succession process and Person Y, one of the original candidates put forward by the activist, was appointed board chair.</p> <p>LGIM subsequently met the new board chair to discuss the composition of the board, but importantly also the performance of the management team and execution of the strategy.</p>			

Aberdeen Standard Investments

Despite efforts to obtain data on significant voting behaviour carried out by Aberdeen Standard Investments during the reporting year, no such data had been provided at the time of issuing this statement. XPS will continue to ask for this data and will make it available to the Trustees as and when it is made available.