Implementation Statement for the Benenden Healthcare Pension Plan

Covering 1 April 2020 to 31 March 2021

1. Background

The Trustees of the Benenden Healthcare Pension Plan (the "Plan") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the Plan's Statement of Investment Principles ("SIP") during the previous Plan year. This statement also includes the details of any reviews of the SIP during the year, any changes that were made and reasons for the changes.

A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, also needs to be included within this statement.

This statement should be read in conjunction with the Defined Benefit ("DB")and Defined Contribution ("DC") SIPs and 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 subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

A copy of the most recent SIPs can be found at https://www.benenden.co.uk/pensions/

2. Investment Objectives and activity

DB Section

The primary objective of the DB Section is over the long term, to achieve a return on the Plan's assets which is sufficient to pay all members' benefits in full.

During the year, progress was reviewed on a quarterly basis as part of the formal quarterly monitoring report. Whilst no formal manager selection or strategy decisions were made during the last Plan year, there were some disinvestments made to meet cash flow requirements.

The next investment strategy review is due in Plan year 2021/22.

Further objectives are to ensure that sufficiently liquid assets are available to meet benefit payments as they fall due, and to consider the interests of the Employer in relation to the size and volatility of the Employer's contribution requirements. Both of these objectives have been met over the Plan year.

DC Section

The Trustees have put in place investment options that they believe will achieve good returns consistent with the level of risk chosen by the member.

The Trustees have regularly discussed the Plan's current and future investment design and the investment options available to members including the Plan's default investment strategy and have the practice of commissioning a formal investment strategy review where appropriate.

The Trustees are required to formally review the DC default investment strategy at least every three years or immediately following any significant change in investment policy or the Plan's member profile. The Trustees made the decision to move the DC Section to a Master Trust during the last Plan year and have commenced work to implement this during the next Plan year.

On a quarterly basis over the last Plan year the Trustees reviewed the performance of the managers and funds used within the Plan.

In terms of the balance between different investments, the Trustees have constructed a default lifestyle strategy (and alternative lifestyles and a self-select range) which diversifies risk for members across asset classes and over time, predominantly using a diversified growth fund, fixed income investments and a cash fund. The risk and return characteristics of these investments are designed to change over time to accommodate members' reduced appetite for risk towards retirement age.

The approach taken towards the measuring and monitoring of other risks is laid out in the SIP and includes the use of pooled investment funds at the dedicated investment manager, and professional custodianship. Active investment is used only where justified (mainly in the diversified growth fund).

Both the DB and DC SIPs were fully reviewed and updated on 25th September 2020.

3. Asset Manager Monitoring, ESG, Stewardship and Climate Change

The Plan's DB and DC SIPs include policies on the monitoring of the underlying asset managers, including the Trustees' policy on Environmental, Social and Governance ("ESG") factors, stewardship and climate change. The policies set out the Trustees' beliefs in these areas, and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees regularly monitor the performance of the underlying managers, and take advantage of the manager research capabilities of their investment advisers to ensure that the performance objectives of the managers remain consistent with the roles they carry out within the investment strategy.

Likewise the Trustees use their investment advisers to monitor the appropriateness of the remuneration and incentives offered to the managers' key personnel, as well as how they are incentivised to invest and engage in a medium-to-long-term manner with the Trustees investments. In respect of the DC section, the Trustees monitor the cost-effective realisation of investments, transaction costs and value for money offered by the manager via the annual Chair's Statement, and encourages their manager to use the Cost Transparency Initiative template in order to make these costs clearer.

The Trustees have committed to reviewing the managers' ESG policies as part of a commitment to understanding how the managers incorporate financially material considerations into their processes. Where the Trustees are not happy with the approach taken, they will take this into account and potentially review the manager. The Trustees acknowledge that there is less flexibility for the manager where passive, index-tracking investments are concerned.

4. Voting and Engagement

The Trustees are keen that their managers are signatories of the UK Stewardship Code, all of the equity managers are current signatories.

All of the Trustees' holdings are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees have not used proxy voting services over the year.

The Plan's funds are:

DB Section:

- CQS Investment Management Limited Multi Asset Credit Fund
- Legal & General Investment Management Limited ("L&G") World Equity Index Fund
- Legal & General Investment Management Limited Matching Core Long Real Fund
- Legal & General Investment Management Limited Matching Core Short Real Fund
- Newton Investment Management Limited Real Return Fund
- Payden & Rygel Investment Management Absolute Return Bond Fund
- Schroder Investment Management Limited Intermediated Diversified Growth Fund
- Schroder Investment Management Limited UK Real Estate Fund

DC Section within the default investment strategy:

- L&G Diversified Fund
- L&G Pre-Retirement Fund
- L&G Cash Fund

There are a number of L&G funds that members can self-select, should they choose to do so, which are set out in the DC SIP.

The Trustees were unable to include voting data for some of the pooled funds, due to not holding equities directly, however they will continue to work with their advisers and investment managers to provide more information in future statements. If such information if not forthcoming then the trustees would consider reviewing the appointment of the investment managers concerned.

4.1 Description of investment manager voting processes

L&G

L&G use Institutional Shareholder Services' ('ISS') 'ProxyExchange' electronic voting platforms to electronically vote clients' shares. All voting decisions are made by L&G and they do not outsource any part of the strategic decisions. L&G's use of ISS recommendations is purely to augment their own research and proprietary environmental, social and governance (ESG) assessment tools.

To ensure their proxy provider votes in accordance with their position on ESG, L&G have put in place a minimum standards custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which L&G believe all companies globally should observe, irrespective of local regulation or practice. In 2018, L&G updated their Global Principles document which sets out minimum standards for governance across all companies globally.

In addition, L&G have also set specific custom voting policies at an individual market level for those markets in which they adopt a stricter stance. All of L&G's custom voting policies are developed in accordance with their publicly disclosed position on ESG in L&G's Principles document and country specific policies.

L&G retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows L&G to apply a qualitative overlay to their voting judgement.

L&G has strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

Newton

Newton describe their voting process as follows:

"Our head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices.

Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, we may confer with the company or other interested parties for further clarification or to reach a compromise or to achieve a commitment from the company.

Voting decisions are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (ISS) will take precedence.

It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

<u>Research ahead of voting decisions, regional distinction</u>
We employ a variety of research providers that aid us in the vote decision-making process, including proxy advisors such as ISS. We utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares as we believe executive pay should be aligned with performance."

Schroders

Schroders describe their voting process as follows:

“Schroder Life evaluates voting issues arising at their investee companies and, where they have the authority to do so, votes on them in line with their fiduciary responsibilities in what they deem to be

the interests of their clients. Schroder Life utilises company engagement, internal research, investor views and governance expertise to confirm their intention.

They receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on their policies they will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

It is important to stress that their own research is also integral to their final voting decision; this will be conducted by both their financial and ESG analysts. For contentious issues, their Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

They continue to review their voting practices and policies during their ongoing dialogue with their portfolio managers. This has led them to raise the bar on what they consider 'good governance practice.'"

4.2 Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the tables below.

	Summary Info
Manager name	Legal & General Investment Management
Fund name	Diversified Fund
Approximate value of trustees' DC assets	c.£9.1m as at 31 March 2021
Number of equity holdings at year end	6642
Number of meetings eligible to vote	11362
Number of resolutions eligible to vote	115604
% of resolutions voted	98.98%
% of resolutions voted with management	81.72%
% of resolutions voted against management	17.71%
% of resolutions abstained	0.56%
% of meetings with at least one vote against managements	6.35%
% of resolutions voted contrary to the proxy adviser recommendation	0.20%

	Summary Info
Manager name	Legal & General Investment Management
Fund name	World Equity Index
Approximate value of trustees' DB assets	c.£17.9m as at 31 March 2021
Number of equity holdings at year end	2662
Number of meetings eligible to vote	3421
Number of resolutions eligible to vote	40987
% of resolutions voted	99.84%
% of resolutions voted with management	81.38%
% of resolutions voted against management	18.07%
% of resolutions abstained	0.55%

% of meetings with at least one vote against managements	6.04%
% of resolutions voted contrary to the proxy adviser recommendation	0.34%

	Summary Info
Manager name	Newton Investment Management
Fund name	Real Return Fund
Approximate value of trustees' DB assets	c.£11.2m as at 31 March 2021
Number of equity holdings at year end	91
Number of meetings eligible to vote	98
Number of resolutions eligible to vote	1,307
% of resolutions voted	99.2%
% of resolutions voted with management	85.4%
% of resolutions voted against management	14.6%
% of resolutions abstained	0%
% of meetings with at least one vote against managements	38%
% of resolutions voted contrary to the proxy adviser recommendation	9.9%

	Summary Info
Manager name	Schroders Investment Management
Fund name	Life Diversified Growth Fund
Approximate value of trustees' DB assets	c.£11.6m as at 31 March 2021
Number of equity holdings at year end	1,360
Number of meetings eligible to vote	1,711
Number of resolutions eligible to vote	20,478
% of resolutions voted	99.6%
% of resolutions voted with management	91.9%
% of resolutions voted against management	7.7%
% of resolutions abstained	0.3%
% of meetings with at least one vote against managements	45.3%

4.3 Most significant votes over the year

L&G

Commentary on the most significant votes over the period is set out below.

In determining significant votes, L&G'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 L&G'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 L&G engagement campaign, in line with L&G Investment Stewardship's 5-year ESG priority engagement themes.

Newton

Newton describe their process for determining the "most significant" votes as follows:

"We regard as material issues, all votes against management, including where we support shareholder resolutions that the company's management are recommending voting against. As active managers, we invest in companies that we believe will support the long term performance objectives of our clients. By doing so, we are making a positive statement about the business, the management of risks and the quality of management. Voting against management, therefore, is a strong statement that we think there are areas for improvement. As such, by not supporting management, we think that this is material, which is different to a passive investor where there is no automatic assumption of a positive intent in ownership. As such, we report publicly our rationale for each instance where we have voted against the recommendation of the underlying company's management. At the fund level, we consider each instance of voting against management to be significant but if required to prioritise these instances, we take an objective approach that includes the fund's weighting in each security. This reflects our investment process and ensures the prioritised list includes those instances that could be most impactful to the long term value to the fund as well as those that may have an immediate impact to the fund."

Schroders

Schroder consider "most significant" votes as those against company management.

They are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. For example, if they believe a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such votes against will typically follow an engagement and they will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concern with a company's performance they may choose to vote against individuals on the board.

However, as active fund managers they usually look to support the management of the companies that they invest in. Where they do not do this, they classify the vote as significant and will disclose the reason behind this to the company and the public.

The Trustees were unable to include specifics regarding the most significant votes cast within the Schroder Life Diversified Growth Fund, however they will continue to work with their advisers and Schroder Life to provide more information in future statements.

Two examples of significant votes for the L&G World Equity Index Fund and L&G Diversified Fund

Company name	**Qantas Airways Limited**
Date of vote	23-Oct-20
Size of holding as at the date of the vote (as % of portfolio)	Not disclosed
Summary of the resolution	Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan Resolution 4 Approve Remuneration Report.
How you voted	LGIM voted against resolution 3 and supported resolution 4.
Where you voted against management, did you communicate your intent ahead of the vote?	Given our engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.
Rationale for the voting decision	The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns.
Outcome of the vote	About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration.
Implications of the outcome	We will continue our engagement with the company.
On which criteria have you assessed this vote to be "most significant"?	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.

Company name	**Whitehaven Coal**
Date of vote	22-Nov-20
Size of holding as at the date of the vote (as % of portfolio)	Not disclosed
Summary of the resolution	Resolution 6 Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.
How you voted	LGIM voted for the resolution.
Where you voted against management, did you communicate your intent ahead of the vote?	We publicly communicate vote instructions on our website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the 3 weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, and increased regulation: in Q4 2020 alone 3 of Australia's main export markets for coal – Japan, South Korea and China – announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.
Outcome of the vote	The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant environmental harm'. As it is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds – and select exchange-traded funds – were not invested in the company.
Implications of the outcome	LGIM will continue to monitor this company.
On which criteria have you assessed this vote to be "most significant"?	The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.

Two examples of significant votes for the Newton Real Return Fund

Company name	**LEG Immobilien AG**
Date of vote	19-Aug-20
Size of holding as at the date of the vote (as % of portfolio)	1.31%
Summary of the resolution	Remuneration policy
How you voted	AGAINST
Where you voted against management, did you communicate your intent ahead of the vote?	No
Rationale for the voting decision	We voted against the proposed pay arrangements on account of their lack of alignment with performance. The executive long-term compensation scheme was entirely cash-based, and although this was indicated to be performance-linked, no disclosures were provided on performance targets. With targets not being disclosed, we were concerned that long-term awards could vest for below-median poor performance. Furthermore, the introduction of special remuneration awards through transaction-based bonuses were not considered to be ideal for promoting talent retention due to these generally being one-off in nature.
Outcome of the vote	22.2% AGAINST, Approve Remuneration Policy
Implications of the outcome	The vote outcome is considered significant owing to more than 20% of votes being instructed against its approval. It is likely that the company will seek to address concerns in an effort to avoid similar or higher future dissent.
On which criteria have you assessed this vote to be "most significant"?	We believe investor scrutiny of pay arrangements is increasing. The significance of the high vote against is important to note given that a majority of pay proposals from companies rarely see such high levels of dissent.

Company name	**Microsoft Corporation**
Date of vote	02-Dec-20
Size of holding as at the date of the vote (as % of portfolio)	1.26%
Summary of the resolution	Elect Director, Advisory Vote to Ratify Named Executive Officers' Compensation and Ratify Deloitte & Touche LLP as Auditors
How you voted	AGAINST
Where you voted against management, did you communicate your intent ahead of the vote?	Yes
Rationale for the voting decision	Despite improvements to executive remuneration practices over recent years, we remained concerned that approximately half of long-term pay awards vest irrespective of performance. We voted against the executive compensation arrangements and against the three members of the compensation committee. We also voted against the re-appointment of the company's external auditor given that its independence was jeopardised by having served in this role for 37 consecutive years.
Outcome of the vote	1.1%, 0.9%, 0.3%, AGAINST compensation committee members, 3.9% AGAINST reappointment of the auditor, 5.3% AGAINST executive officers' compensation.
Implications of the outcome	The vote outcome demonstrates shareholders are not overly concerned with the company's executive pay arrangements. However, our engagement with the company over multiple years shows that pay arrangements have been improving and are expected to continue to improve. We look forward to supporting the company's executive pay proposals as these improvements are implemented.
On which criteria have you assessed this vote to be "most significant"?	The company is recognised as a leader among its US peers in terms of its approach to corporate governance. Its executive pay structure is also better than most but there exists fundamental improvements that should be made.