

IMPLEMENTATION STATEMENT

January 2021

General Healthcare Group Limited Pension and Life Assurance Plan (the “Plan”)

Private and Confidential

Introduction

Under new regulatory requirements now in force, the Trustee is required to produce an annual Implementation Statement setting out how engagement policies in the Statement of Investment Principles (the “SIP”) have been implemented. This is the first such statement produced.

This document has been prepared by the Trustee of the General Healthcare Group Limited Pension and Life Assurance Plan (the “Plan”), covering the period 1 October 2019 to 30 September 2020 – the Plan’s reporting year. This statement will be included in the Plan’s Report & Accounts and made public online.

The document aims to set out, at a high level, how the Trustee’s policies on engagement & stewardship under the terms of the SIP have been implemented.

The SIP was updated during the period to reflect both changes to investment strategy and its implementation, and incoming regulatory changes. Specifically, the SIP was updated:

- **22nd May 2020**, to reflect the new highly simplified de-risked strategic position and asset allocation of the Plan:
 - The Plan’s asset allocation consists of a single bulk annuity contract with Aviva Life and Pensions UK, which matches the full liabilities.
 - Further to this, the Plan also holds some surplus cash beyond this bulk annuity, which is retained in a daily dealt, diversified Liquidity Fund. This Liquidity Fund is managed by Schroders Investment Management. Shortly before the Plan’s year-end, the SIP was further updated, specifically:
- **29th September 2020**, to comply with further regulatory changes. This regulatory change incorporated the Shareholder Rights II Directive (‘SRD II’) into UK law and required defined benefit pension scheme SIPs to be updated to include further details on:
 - The arrangements with investment managers, including how they are incentivised to behave and invest in line with the Trustee’s policies and how the Trustee will monitor each manager’s performance, fees and portfolio costs.
 - Engagement policy, including the exercise of the rights (including voting rights) attaching to the investments.

SRD II applies more widely than just to pension schemes. The directive aims to further encourage appropriate long-term investment decision-making and engagement.

Under SRD II, the Trustee is now also required to publish an annual implementation statement noting the extent to which the voting and engagement policies have been implemented over the relevant Scheme year.

Stewardship, engagement and voting behaviour

The SIP clearly details that the Trustee recognises that good stewardship practices, including engagement and voting activities, are important as they help preserve and enhance asset owner value over the long-term. However, the Plan's current asset allocation consists of a single bulk annuity contract and a pooled liquidity fund that invests in cash and short-term bank deposits only. Due to the short-term nature of the deposits, the ability to practice good stewardship is limited. The main requirement of Schroders for the Trustee is to maintain the liquidity and solvency of the fund.

The liquidity fund is managed according to standardised fund terms that were reviewed by the Plan's investment advisors at the point of investment to ensure alignment with the Plan's long-term investment strategy. This fund is monitored by the investment advisors who assess whether the fund continues to invest with a medium to long-term time horizon. The Manager is paid an ad valorem fee for a defined set of services. This fee is reviewed periodically to confirm that it is in line with market practices.

As the Plan's liquidity fund is a pooled fund – where the Trustee holds units in a fund rather than having any direct ownership rights over the underlying assets – the Trustee has limited scope to influence managers' stewardship activities. The Trustee's policy is to delegate responsibility for the engagement with relevant persons, which includes delegating the exercise of rights (typically including voting rights) attaching to investments to the investment managers. The Plan does not invest in any assets with associated voting rights.

The Plan's sole investment manager is a signatory of the UK Stewardship Code. The code sets out a clear benchmark for stewardship as the responsible allocation, management, and oversight of capital to create long-term value. Schroders have not flagged any non-compliance with the principles of the code, and the Trustee is comfortable they provide good quality and transparent reporting of their approach to stewardship. More information on how Schroders have followed the stewardship and engagement policies set out by the Trustee can be found in the appendix.

Concluding remarks

The Trustee is comfortable that the voting and engagement policies in the SIP have all been adequately followed over the scheme year, noting a number of recent changes to regulations in this area and the Trustee policies themselves. The Trustee is satisfied that the implementation of the Trustee's policies for the Plan is consistent with the Statement of Investment Principles and is appropriate for the circumstances of the Plan.

Appendix

The Plan's sole investment manager has provided a statement on their stewardship approach. These can be found below.

Schroders

"As active investors, we continually monitor a company's management and performance, including developments which may have a significant impact on valuation or risk profile, as part of our investment process and ownership responsibilities. Our analysts publish their research on our centralised global research platform which is accessible to all investors. The extent and frequency of monitoring depends on the type of investment.

Further to this, as active owners we recognise our responsibility to making considered use of voting rights. We therefore vote on all resolutions at all AGMs/EGMs globally unless we are restricted from doing so (e.g. as a result of share blocking).

We aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with our published ESG policy. The overriding principle governing our voting is to act in the best interests of our clients. We accept that conflicts of interest arise in the normal course of business. To address these we have a documented Group wide policy, covering such occasions, to which all employees are expected to adhere. Training on this is provided and the policy is reviewed on an annual basis.

Our Corporate Governance analysts are responsible for making voting decisions. We currently use Institutional Shareholder Services (ISS) as our service provider for the processing of proxy votes in all markets. ISS delivers vote processing through their internet-based platform (Proxy Exchange), and Schroders receives ISS research on resolutions. We complement this with analysis by our in-house ESG specialists and where appropriate with reference to financial analysts and portfolio managers."