

# Bupa Home Healthcare Limited Pension Scheme Implementation Statement

## Purpose

---

This statement provides information on how, and the extent to which, the Trustee's policies in relation to the exercising of rights (including voting rights), attached to the Scheme's investments, and engagement activities have been followed during the year ended 31 December 2023 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## Background

---

During 2019, the Trustee received training on Environmental, Social and Governance ("ESG") issues from its Investment Adviser, XPS Investment Limited ("XPS") and discussed its beliefs around those issues. This enabled the Trustee to consider how to update its policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers' own equivalent policies. During 2020, the Trustee received training in relation to voting and engagement issues which enabled it to refine its policies in relation to such issues.

Following market movements experienced during the gilt crisis, the Scheme's investment strategy deviated from the Scheme's target allocation, as set out in the Statement of Investment Principles ("SIP") dated August 2022. At the end of the prior reporting year, the Trustee considered alternative investment strategies to adopt to rebuild the investment strategy and increase the return expectations on the portfolio.

The SIP was updated accordingly, as of July 2023, to reflect the strategic changes and inclusion of the new allocation to Buy & Maintain Credit, and also to reflect updates to the Trustee's policy on the oversight of investment managers' engagement and voting. Implementation of the updated strategy occurred over H2 2023 and as of 31 December 2023, the portfolio is broadly in line with the agreed strategic benchmark allocation. No other changes were made to the Trustee's previously documented policies.

## The Trustee's policy on ESG and stewardship

---

The Trustee believes that there can be financially material risks relating to ESG issues. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustee requires the Scheme'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 Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourages 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.

In order to ensure sufficient oversight of the engagement and voting practices of its managers, the Trustee may periodically meet with the investment managers to discuss engagement which has taken place. The Trustee will also expect its investment adviser to engage with the managers from time to time as needed and report back to the Trustee on the stewardship credentials of its managers. The Trustee will then discuss the findings with the investment adviser, in the context of its own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognises the Code as an indication of a manager's compliance with best practice stewardship standards.

## Manager selection exercises

---

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

Following the period of gilt market volatility experienced during the gilts crisis, during the previous reporting year the Trustee considered steps to increase levels of collateral readily available within the LDI portfolio, agreeing to introduce Buy & Maintain Credit into the strategy, although the fund to be used had not been selected at the end of the previous reporting year.

During the current reporting year, the Trustee completed the manager selection exercise and introduced sustainable Buy & Maintain Credit into the strategy via the LGIM Future World Net Zero Buy & Maintain Credit fund. The fund is held with LGIM, the manager of the LDI portfolio, and this enables ease of access to collateral in any future periods of gilt yield volatility. The fund was deemed suitable because its high level of focus on ESG, in-line with the aspirational ESG policies of Bupa Group. During the current reporting year, the Trustee also reintroduced sustainable passive equity via the SSGA World TPI Climate Transition Index Equity fund; this fund had been sold during the period of gilt market volatility in the previous reporting year.

There have been no other manager selection exercises undertaken during the current reporting year.

## Ongoing governance

---

The Trustee, with the assistance of XPS, monitors the processes and operational behaviour of the investment managers from time to time, to ensure it remains appropriate and in line with the Trustee's requirements as set out in the Statement of Investment Principles. Further, the Trustee has set XPS the objective of ensuring the selected managers reflect the Trustee's view on ESG (including climate change) and stewardship.

During the reporting year, the Trustee 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 Scheme. The Trustee recognises that the level of ESG integration within the investment processes is dependent on the asset class in question.

The report was discussed at the Trustee meeting on 16 October 2023. One of the areas considered by the report was stewardship, which relates to influencing a company in which the Scheme is ultimately invested via the funds held within the Scheme's portfolio. Companies can be influenced through meaningful engagement and using voting rights to drive long term positive change in their policies and practices. The report rated each investment manager organisation in this area and on ESG matters overall. The Trustee concluded that the ESG capabilities of the investment managers were satisfactory for the Scheme overall. ESG issues will be kept under review as part of the quarterly monitoring process and the Trustee will communicate any concerns with the relevant investment manager organisations when, for example, they present at meetings.

During the year the Trustee met with one of its investment managers, State Street Global Advisers, and ESG was a material topic at these discussions. The manager reiterated its approach towards engagement and provided evidence of engagement taking place within the relevant funds that was deemed by the Trustee to be at a satisfactory level.

Beyond the governance work currently undertaken, the Trustee believes that its approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. As the funds in which the Scheme invests are pooled vehicles, these holdings are not always aligned with the Scheme's voting policy as the managers vote in line with their own investment policy at the fund level in the interest of all investors. Nevertheless, the Trustee has introduced specific stewardship priorities with regards to the Bupa Group Policy and it monitors the results of those votes deemed by the managers to be most significant in order to determine whether specific priorities should be introduced and communicated to the managers. No such communication has been deemed necessary.

The level of exposure to sectors highlighted in the Bupa Group Policy was monitored on a quarterly basis to determine whether the level of investment in these sectors was not material. The Investment Managers were aware of the Trustee's

monitoring of the underlying holdings but did not take the Trustee's policy into account during the reporting year. The managers in place at year end did invest in line with the Trustee's expectations. All new investments over the reporting year were in line with the Group Policy. Stewardship and ESG matters are regularly discussed at Trustee meetings.

### **Adherence to the Statement of Investment Principles**

---

During the reporting year the Trustee was satisfied that it followed its 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 Scheme has a specific allocation to global equities, through its passive ESG equity fund.

The Trustee has decided that an 'aspirational' ESG policy is adopted, noting Bupa Group policy. In particular, the Trustee has 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.

As the Scheme invests in pooled funds, the Trustee acknowledges that it cannot directly influence the policies and practices of the companies in which the pooled funds invest. It has therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers. The Trustee has confirmed this approach to be appropriate for the Scheme's investments. The information below is the investment managers' activity in relation to voting.

For the State Street Global Advisors World TPI Climate Transition Index Equity Sub Fund, the voting information shown below covers the period during which the Scheme held assets, for the reporting year. A summary of the voting behaviour and most significant votes cast by the investment manager is as follows. This information has been provided by the investment manager State Street Global Advisors. The investment manager was unable to provide specific information on the rationale for votes undertaken during the reporting year; the Trustee, with the assistance of XPS, is working with the investment manager to ensure this information will be available for future Implementation Statements.

Where the manager has provided a selection of significant votes, the Trustee has reviewed the rationale for significant votes provided by the managers and is comfortable with the rationale provided, and that it is consistent with its policy.

The Trustee, with the help of XPS, has considered the information the investment manager has been able to provide on significant voting, and has deemed the below information as most relevant.

Disclaimer: Neither XPS nor the Trustee have vetted these votes. These summaries have been provided by the investment manager(s) and any reference to "our", "we" etc. is from the investment manager's perspective.

### State Street Global Advisors

#### Voting Information

##### State Street Global Advisors World TPI Climate Transition Index Equity Sub Fund

State Street voted on 99.60% of resolutions of which they were eligible out of 15,643 eligible votes.

#### Investment Manager Client Consultation Policy on Voting

All voting decisions are exercised in accordance with State Street's in-house guidelines or specific client instructions. They have established robust controls and auditing procedures to ensure that votes cast are executed in accordance with State Street Global Advisors' instructions.

Particularly, their Stewardship team works closely with their global client relationship teams to maintain an open and constructive dialogue with clients on the delivery of their stewardship activities. This provides an opportunity for clients to understand their approach, to provide feedback on State Street's objectives and priorities, and to hold them accountable for their delivery. In addition, State Street Global Advisors network of

global clients provides invaluable inputs into the team's understanding and analysis of local market trends and specific company events. The combination of local and global perspectives strengthens the Stewardship Team's ability to promote long-term value for State Street's diverse global client base.

### Investment Manager Process to determine how to Vote

As an investment manager, State Street Global Advisors' have discretionary proxy voting authority over most of their client accounts. They carefully vote these proxies in the manner that will protect and promote the long-term economic value of their client investments.

#### Oversight:

State Street Global Advisors' Stewardship team's activities are overseen by State Street Global Advisors' ESG Committee who are responsible for reviewing their stewardship strategy, engagement priorities and proxy voting guidelines, and monitors the delivery of voting objectives. In addition, State Street Global Advisors' ESG Committee provides oversight of the Stewardship team, reviews departures from their proxy voting guidelines, and reviews conflicts of interest involving proxy voting.

#### Proxy Voting Process:

State Street enhance the services provided by their in-house resources through third-party service providers. The most notable of these are third-party data providers such as Institutional Shareholder Services (ISS) who are utilised to assist State Street Global Advisors with managing the voting process at shareholder meetings. In the voting process, they use ISS to help them monitor their voting rights across the asset classes in which they invest. State Street employ ISS to:

- Act as State Street's proxy voting agent (providing State Street Global Advisors with vote execution and administration services).
- Assist in applying State Street's voting guidelines.
- Provide research and analysis relating to general corporate governance issues and specific proxy items.
- Provide proxy voting guidelines in limited circumstances.

State Street's Stewardship team reviews their Proxy Voting Guidelines with ISS on an annual basis or on a case-by-case basis as needed. ISS effects the proxy votes in accordance with State Street's Proxy Voting Guidelines. Voting matters that are nuanced or that require additional analysis are referred to and reviewed by members of the Stewardship team. Members of the Stewardship team evaluate the proxy solicitation to determine how to vote based on facts and circumstances consistent with the Proxy Voting Guidelines, which seek to maximize the value of client accounts.

As an extra precaution, State Street's Stewardship team will refer significant issues to the ESG Committee for a determination of the proxy vote. In addition, other measures are put in place in terms of when and whether or not to refer a proxy vote to the ESG Committee. For instance, their Stewardship team takes into account whether a material conflict of interest exists between State Street's clients and those of their firm or their affiliates. If such a case occurs, there are detailed guidelines for how to address this concern (i.e., please refer to their Mitigating Conflict of Interest Guidelines for additional details).

State Street aims to vote at all shareholder meetings where their clients have given them the authority to vote the clients shares and where it is feasible to do so.

However, when State Street deem appropriate, they could refrain from voting at meetings in cases, as listed

below, where:

1 Power of attorney documentation is required.

2 Voting will have a material impact on their ability to trade the security.

3 Voting is not permissible due to sanctions affecting a company or individual.

4 Issuer-specific special documentation is required or various market or issuer certifications are required.

5 Unless a client directs otherwise, State Street Global Advisors will not vote proxies in so-called "share blocking" markets (markets where proxy voters have their securities blocked from trading during the period of the annual meeting).

#### State Street's Vote Prioritization Process:

State Street vote at over 20,000 meetings on an annual basis and prioritizes companies for review based on factors including the size of their holdings, past engagement, corporate performance and voting items identified as areas of potential concern. Based on this assessment, they will not only allocate appropriate time and resources to shareholder meetings, but will also assign specific ballot items of interest to ensure maximization of value for their clients.

All voting decisions are exercised exclusively in accordance with State Street Global Advisors' in-house policies and/or specific client instructions. State Street have established robust controls and auditing procedures to ensure that votes cast are executed in accordance with their instructions.

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

In compliance with the UK SRD II, State Street developed a framework that identifies their most significant votes for their UK clients. On a quarterly basis, using this framework they also create reports for their UK clients that include a brief explanation of the most significant votes identified in their clients' portfolios.

State Street identified significant votes for the purposes of the SRD II as follows:

1 All votes on environmental-related shareholder proposals.

2 All votes on compensation proposals where State Street voted against the management's recommendation.

3 All against votes on the re-election of board members due to poor ESG performance of the company (as measured by their R-Factor ESG score\*).

4 All against votes on the re-election of board members due to poor compliance with the local corporate governance score of the company (as measured by their R-Factor CorpGov score\*\*).

5 All against votes on the re-election of board members due to a lack of gender diversity on the board.

\*In 2019, State Street created an engagement and voting screen that leverages R-Factor, their proprietary scoring system. R-Factor measures the performance of a company's business operations and governance as

it relates to financially material and industry-specific ESG risk factors, as defined by the Sustainability Accounting Standards Board (SASB). Since the 2020 proxy season, they started taking action against board members at companies in the S&P 500, FTSE 350, ASX 100, TOPIX 100, and STOXX 600 indices that are laggards based on their R-Factor scores and that cannot articulate how they plan to improve their score.

**\*\***In 2020, State Street Global Advisors' team implemented a proactive screen to identify portfolio companies in their key markets that do not comply with their country-specific governance codes. The screen's methodology centres around the R-Factor Corporate Governance score component (CorpGov), leveraging their proprietary framework to develop insights and drive their engagements with companies identified as laggards based on their low-ranking scores relative to their domestic and global peers. Laggard companies score in the bottom 10% relative to their local peers, and belong to one of the major indices where they applied the screen. Since most governance codes are implemented on a comply-or-explain basis, they engaged with these companies to understand their reasons for the laggard score status. In the event companies were unable to provide effective explanations for their noncompliance or have not made evident progress to improve their practices, State Street held them accountable by taking voting action against the independent leader of the board standing for election.

#### Does the manager utilise a Proxy Voting System? If so, please detail

State Street use a variety of third-party service providers to support their stewardship activities. Data and analysis from service providers are used as inputs to help inform their position and assist with prioritization. However, all voting decisions and engagement activities are undertaken in accordance with State Street Global Advisors' in-house policies and views, ensuring the interests of their clients remain the sole consideration when discharging their stewardship responsibilities. State Street have contracted Institutional Shareholder Services (ISS) to assist them with managing the voting process at shareholder meetings. They use ISS to: (1) act as their proxy voting agent (providing State Street with vote execution and administration services), (2) assist in applying their voting guidelines, (3) provide research and analysis relating to general corporate governance issues and specific proxy items, and (4) provide proxy voting guidelines in limited circumstances. In addition, State Street also have access to Glass Lewis and region specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complement their in-house analysis of companies and individual ballot items. All final voting decisions are based on proxy voting policies and in-house operational guidelines.

#### Top 5 Significant Votes during the Period

Company	Date of Vote	Voting subject	How did the Investment Manager vote?	Outcome
Beverage Company	23/03/2023	Community -Environment Impact	Against	Not available

Why was the vote deemed significant:

See above: "How does this manager determine what constitutes a 'Significant' Vote?"

Where voted against the company, was this communicated:

State Street does not publicly communicate their vote in advance.

Implication:



Where appropriate State Street will contact the company to explain their voting rationale and conduct further engagement				
Food processing company	09/02/2023	Product Toxicity and Safety	Against	Not available
<p>Why was the vote deemed significant:  See above: "How does this manager determine what constitutes a 'Significant' Vote?"  Where voted against the company, was this communicated:  State Street does not publicly communicate their vote in advance.  Implication:  Where appropriate State Street will contact the company to explain their voting rationale and conduct further engagement.</p>				
Telecommunications company	30/03/2023	Approve Remuneration Policy	Abstain	Not available
<p>Why was the vote deemed significant:  See above: "How does this manager determine what constitutes a 'Significant' Vote?"  Where voted against the company, was this communicated:  State Street does not publicly communicate their vote in advance.  Implication:  Where appropriate State Street will contact the company to explain their voting rationale and conduct further engagement.</p>				
Electronics company	30/03/2023	Elect Director	Against	Not available
<p>Why was the vote deemed significant:  See above: "How does this manager determine what constitutes a 'Significant' Vote?"  Where voted against the company, was this communicated:  State Street does not publicly communicate their vote in advance.  Implication:  Where appropriate State Street will contact the company to explain their voting rationale and conduct further engagement</p>				
Pharmaceuticals company	14/03/2023	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Not available
<p>Why was the vote deemed significant:  See above: "How does this manager determine what constitutes a 'Significant' Vote?"  Where voted against the company, was this communicated:  State Street does not publicly communicate their vote in advance.  Implication:  Where appropriate State Street will contact the company to explain their voting rationale and conduct further engagement</p>				



--

Note: Outcome of voting results have not been provided by the investment manager.