

SANKYO PHARMA UK LIMITED RETIREMENT SECURITY PLAN Engagement Policy Implementation Statement

Year Ending 31 December 2020

Introduction

This statement, written for the benefit of the Plan's members, sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles¹ ('SIP') produced by the Trustee, has been followed during the year to 31 December 2020. This statement 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 guidance published by the Pensions Regulator.

Investment Objectives of the Plan

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The primary investment objective for the Plan is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustee also aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

Investment Strategy

During the course of the year, the Trustee did not make any changes to the Plan's investment strategy.

Review of the SIP

The Plan's SIP was updated over the course of the year. The changes made to the SIP reflect new legislative wording requiring the Trustee to state its policies regarding 'financially material' and 'financially non-material' considerations.

Plan's Investment Structure

The Plan's only investment is a Trustee Investment Policy ('TIP') with Mobius Life Limited ('Mobius'). Mobius provides an investment platform and enables the Plan to invest in pooled funds managed by third party investment managers.

As such, the Trustee has no direct relationship with the Plan's underlying investment managers.

Policy on ESG, Stewardship and Climate Change

The Plan's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change, which also sets out the processes followed by the Trustee in relation to voting rights and stewardship.

The Trustee has considered financially material factors such as ESG issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Plan for members. The Trustee believes that ESG factors are implicitly reflected in the expected risk and return

¹ A statement of Investment Principles describes the way in which the Trustee seek to manage the assets of the Plan.

profile of the asset classes the Plan is invested in and it is therefore in members' best interests to account for these factors within the investment process.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the ESG policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect the fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Plan's assets are subject to the investment manager's own policy on socially responsible investment. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Plan with the help of the investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustee will monitor financially material considerations through the following means:

- Use ESG ratings information provided by its investment advisor, to assess how the Plan's investment managers take account of ESG issues; and
- Request that all of the Plan's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant

The following sections set out how the Trustee's engagement and voting policies were followed and implemented during the year.

Engagement

Monitoring

- The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers.
- Managers will be expected to report on their own ESG policies as and when requested by the Trustee.
- The Plan's investment performance report is reviewed by the Trustee on a quarterly basis – this includes ratings from the investment adviser. These ratings include an indication of Mercer's conviction in the ability of a manager to deliver its performance objectives. Deteriorations in these ratings may prompt the Trustee to consider terminating certain managers. The investment performance report includes details of how each investment manager is delivering against their specific mandates.

Stewardship

- Over the year, the investment adviser, on behalf of the Trustee, requested that the investment manager confirm compliance with the principles of the UK Stewardship Code.
- LGIM is a Tier 1 signatory of the UK Stewardship Code, indicating a high quality and transparent description of its approach to stewardship, and explanations of an alternative approach where necessary.
- Over the period, the Trustee did not set any investment restrictions on the appointed investment managers in relation to particular products or activities.

Voting Activity

The Plan has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Plan's investments. The Trustee has therefore effectively delegated its voting rights to the managers of the funds the Plan's investments are ultimately invested in.

The Trustee has not been asked to vote on any specific matters over the year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) in which the Plan's assets are ultimately invested.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's' statement.

The table on the following page sets out a summary of the key voting activity over the financial year:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
LGIM Global Equity Fixed Weights (60:40) Index Fund	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.	43,617	7,062	44	<p>LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:</p> <ul style="list-style-type: none"> • 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 LGIM 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. 	<p><i>International Consolidated Airlines Group</i> – a vote 'against' approving the remuneration report was cast as LGIM were concerned about the level of bonus payments for current executives and the departing CEO.</p> <p><i>Pearson</i> – a vote 'against' a resolution to amend the company's remuneration policy was cast as LGIM deemed that the revisions were unusual for a UK company.</p> <p><i>SIG plc</i> – a vote 'against' an approval for a one-off payment to the company's interim CEO for work carried out over a two-month period was cast as LGIM does not generally support one-off payments. Additionally, LGIM believe that remuneration policies for directors should be appropriate for their role and level of responsibility which should negate the need for additional one-off payments.</p> <p><i>Barclays</i> – a vote 'for' the approval of the company's commitment in tackling climate change was cast as this was in line with LGIM's beliefs.</p> <p>Olympus Corporation – a vote 'against' electing a new male director was cast as LGIM believe the Japanese companies have generally trailed behind European and US companies in ensuring more women are appointed to their boards. LGIM consider that every board should have at least one female director.</p> <p>Proctor & Gamble Company – a vote 'for' a resolution to eliminate deforestation which is in line with LGIM's five-year strategy to tackle climate change.</p>
LGIM – AAA-AA-A Corporate Bond - All Stocks Index Fund	The manager did not provide voting activity details as these are fixed income portfolios that do not have voting rights.					

**LGIM – Over 15
Year Gilts Index
Fund**

The manager did not provide voting activity details as these are fixed income portfolios that do not have voting rights.