

YEAR ENDED 31 DECEMBER 2021

Implementation Statement Piramal Healthcare UK Pension Fund (DC Section)

Introduction

This implementation statement has been prepared by the Trustee of the Piramal Healthcare UK Pension Fund ("the Fund"). The statement:

- sets out how, and the extent to which, the DC policies (which also cover AVC's) set out in the Statement of Investment Principles (the SIP) have been followed during the year
- describes any review of the SIP, including an explanation of any DC-related changes made, and
- describes the DC-related voting behaviour by, or on behalf of, the Trustee over the same period.

Trustee's overall assessment

In the opinion of the Trustee, the DC policies as set out in the SIP have been followed during the year ending 31 December 2021. The Trustee's DC policies have been developed over time by the Trustee in conjunction with their investment consultants and are reviewed and updated at least every three years.

The current SIP was put in place during August 2021, and the prior versions applicable to 2021 were those from September 2020 and May 2021. The changes made to the SIP during the year were to:

1. reflect the dissolution of the Investment Sub-Committee, with the Full Trustee Board now directly responsible for investment matters, and
2. to revise the DB investment strategy asset classes, target, and allowable ranges, reflecting the de-risking of the DB strategy.

Investment strategy

The Trustee's DC policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking advice from their advisors. In choosing the Fund's DC investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification of asset classes.
- An appropriate size of fund range, bearing in mind both member needs and governance requirements.
- ESG considerations

The Trustee also provides a default strategy to provide a balanced investment strategy for members who do not make an active investment choice. The current default investment strategy was implemented in August 2020 through the introduction of a new platform provider, Mobius Life.

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Policies in relation to the kinds of investments to be held, the balance between various kinds of investments and the realisation of investments

To assist members who do not wish to make an active decision about where to invest their account, the Fund, as of August 2020, offers a lifestyle strategy which manages risks when saving for retirement. This strategy consists of an accumulation phase, a consolidation phase (running from ten years to five years before a member's planned retirement age) and a pre-retirement phase (beginning five years from a member's planned retirement age).

The primary aim of the accumulation phase is to grow a member's assets, while maintaining a suitable level of diversification and taking an appropriate level of risk. The primary aim of the consolidation phase is to introduce a higher level of diversification, providing a more stable asset value, while still maintaining growth potential.

The pre-retirement phase then switches to funds suitable for members approaching retirement. The assets used here are intended to be suitable for use for a range of different purposes (such as annuity purchase within the Fund or externally, cash withdrawal or drawdown), with the asset mix chosen to take into account the most likely ways in which members may choose to withdraw their benefits, bearing in mind the characteristics of the membership and the options available to members within the Fund.

The lifestyle strategies are designed to be appropriate for a member with a predictable retirement date, however, the lifestyle strategy is not necessarily suitable for members who unexpectedly retire early or retire later than planned.

Under normal market conditions the Trustee expects to be able to realise investments within a reasonable timescale although there remains the risk that certain assets may become less liquid in times of market stress. Despite the ongoing COVID-19 pandemic and volatile markets, no liquidity issues arose during the year.

The Trustee considers these policies to still be appropriate for members.

Policy in relation to the expected return on investments

The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. Multi-asset funds are also expected to have long-term returns that exceed price inflation and general salary growth, however these funds also have wider aims, such as increasing diversification, reducing volatility, or facilitating the move to a drawdown arrangement, post retirement.

The long-term returns on bond and cash options are expected to be lower than returns on equity options. However, bond fund volatility and price movements (particularly of longer dated bonds) are expected to broadly match those of annuities, giving some protection in the amount of secured pension for members closer to retirement, and who are likely to take all or part of their retirement benefits in the form of an annuity. Cash funds aim to provide protection against changes in short-term capital values and may be appropriate for members choosing to take all or part of their retirement benefits in the form of cash.

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Policy in relation to the expected return on investments (continued)

The lifestyle strategy arrangement defined in all the SIPs that were in place during 2021 reflects the above policies in terms of achieving the intended balance of return and risk reduction.

During the year the Trustee received advice around return expectations for the funds it offers as part of performing SMPI calculations for member statements. It also received two monitoring reports (dated February 2021 and September 2021) which contained information on the actual returns achieved by the funds offered to members over the one year, three-month, and six-month reporting periods and were comfortable that the returns achieved were in line with expectations. Having considered these items, the Trustee remains comfortable that it is acting in line with its policy around expected investment returns.

Policy in relation to risks

The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the Fund, accepting that a member's annual contribution rate – a major factor in the accumulation of members' funds – is not relevant as the Fund no longer has any active members. The Trustee also recognises that the extent to which members can rely in retirement on other savings, which sit outside of the Fund, is outside of the Trustee's visibility and control.

Due to the complex and interrelated nature of the various risks for the Fund, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review, the last of which took place during 2020 and is next scheduled for 2023.

In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a 6-monthly basis, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets in place.

During 2021 the Trustee;

- received performance monitoring information from its investment consultants in reports dated February 2021 and September 2021, which were discussed at subsequent trustee meetings.
- considered climate related risk as part of a presentation from LGIM in June 2021 which covered the Future World Fund.
- Sent out a member newsletter and annual benefit statements, informing members of fund performance and projected growth rates (respectively), allowing members to determine whether the fund they are invested in remains appropriate for their personal circumstances.

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Policies in relation to their investment manager arrangements

The Trustee will monitor at least annually the Fund's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity to improve their performance in the medium- to long-term.

The Trustee has not been made aware of any significant changes to their investment managers' investment approaches over the course of the year and hence remains comfortable with these.

The Trustee met with LGIM in June 2021 and discussed LGIM's approach to ESG matters. It was noted that

- LGIM are very active in ESG and now have over £200bn invested in their responsible investment strategies.
- LGIM seek to engage and influence positive ESG behaviours through engagement and investment
- LGIM take action within the Future World Fund where no response is provided to engagement efforts – e.g., by disinvesting and only reinvesting once significant actions have been taken.

As part of preparing this statement the Trustee also reviewed the investment managers' voting and engagement activities and found them to be acceptable.

Investment manager monitoring and charges

The Trustee gathers information on charges and transaction costs as part of its annual work in preparing the Chair's Statement.

Stewardship of investments

- The Trustee recognises the significance of their role as stewards of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Fund invests, as this ultimately creates long-term financial value for the Fund and its beneficiaries.
- The Trustee reviews on a regular basis the suitability of the Fund's appointed asset managers and takes advice from their investment consultant in respect to any changes. If an incumbent manager is shown to be falling short of the standards the Trustee has set out in their policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may seek to replace the manager if they fail to comply.

The Trustee do not believe there was any falling manager's standards during 2021 and is satisfied that this policy is being met.

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Stewardship - monitoring and engagement

- The Trustee shares their policies and priorities with respect to stewardship with the Fund's appointed investment managers and will engage with them as necessary to ensure that robust active ownership behaviours, reflective of the Trustee's active ownership policies, are carried out. The Trustee reviews the alignment of the Trustee's policies to those of the Fund's asset managers to ensure that their managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This includes exercising all applicable voting rights, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee reviewed the stewardship activities of their asset managers for 2021, covering both engagement and voting actions. A summary of this review is given in this statement.

As part of preparing this statement the Trustee reviewed the investment managers' voting and engagement activities and found them to be acceptable. In addition, stewardship matters were discussed with LGIM as part of the June 2021 presentation.

Investment manager engagement policies

The Fund's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustee with information on how each investment manager engages in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental, and corporate governance aspects.

Links to each investment manager's engagement policy or suitable alternative are shown in the appendix. Note these are provided for the underlying investment managers, who voting is typically ultimately delegated to, as opposed to for the platform provider.

These policies are publicly available on each of the investment managers' websites.

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Investment manager engagement policies(continued)

The latest available information provided by the investment managers (with mandates that contain equities) is as follows:

Engagement	LGIM Future World Fund	LGIM Retirement Income Multi-Asset Fund	LGIM Infrastructure Equity MFG - GBP Hedged	SSgA Emerging Markets Index Fund*	LGIM Global Real Estate Equity Index Fund
Period	01/01/2021-31/12/2021	01/01/2021-31/12/2021	01/01/2021-31/12/2021	01/01/2020-31/12/2020	01/01/2021-31/12/2021
Number of companies engaged with over the year	276	545	31	1,721	71
Number of engagements over the year	404	736	58	2,412	77
Top two engagement topics	Climate Change Remuneration	Remuneration Climate Change	Climate Change Board Composition	n/a	Climate Change Remuneration
Example significant company engagement over the year	n/a	n/a	n/a	Rio Tinto, for social responsibility	n/a

* Data provided for this fund is at an SSgA-wide level as individual fund level information was not available at the time of writing.

Exercising rights and responsibilities

- The Trustee has identified climate change risk and poor corporate governance as important investment risks to the Fund and, as such, the Trustee will level scrutiny on their investment managers accordingly. The Trustee expects that the Fund's asset managers will prioritise and actively monitor these risks within their investment processes and that they will provide adequate transparency with respect to the management and mitigation of these risks, including transparency around voting and engagement actions where appropriate. The transparency offered for engagements should include methods of engagement, progress, and perspectives around shortcomings as well as escalation procedures for unsuccessful engagements.
- The transparency for voting should include voting actions and rationale with relevance to the Fund, in particular where: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustee or the asset manager.

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Exercising rights and responsibilities (continued)

The latest available information provided by the investment managers that have public equity voting rights are as follows:

Voting behaviour Investment Manager	Period	Proportion of votes cast	Proportion of votes against management
Legal & General Investment Management	01/01/2021 – 31/12/2021	99%	19%
State Street Global Advisors	01/10/2021 – 31/12/2021	98%	14%

The investment managers use proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

BlackRock is not included above as the only fund they manage is the cash fund.

Trustee engagement

The Trustee has previously undertaken a review of each investment manager's engagement policy including their policies in relation to financially material considerations.

The Trustee has previously reviewed the investment managers' policies relating to engagement and voting and how they have been implemented and found them to be acceptable.

Although no further specific reviews were undertaken during the scheme year, the Trustee is not aware of any changes to the policies of their investment managers with regards to these areas and so believes these to remain acceptable.

The Trustee recognises that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

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Appendix

Links to the Engagement Policies for each of the investment managers can be found here:

Investment manager	Engagement Policy
BlackRock Investment Management	https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf
Legal & General Investment Management	https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-engagement-policy.pdf
State Street Global Advisors	https://www.ssga.com/library-content/pdfs/global/inst-esg-investment-policy-statement.pdf https://www.ssga.com/library-content/pdfs/ic/state-street-global-advisors-issuer-engagement-protocol.pdf

Information on a significant vote for the LGIM Future World Equity Fund (comprising c.55% of assets) is shown below:

Company name	Trane Technologies Plc
Date	03/06/2021
Summary of the resolution	Resolution 1g Elect Director Michael W. Lamach
How the fund manager voted	Against.
Rationale for the voting decision	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO, and we have reinforced our position on leadership structures across our stewardship activities – e.g., via individual corporate engagements and director conferences.
Outcome of the vote	91.0% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

This vote was identified by LGIM as being one of the key votes from the 12-month period, in respect of this fund.