

# Implementation Statement (“IS”)

## Piramal Healthcare UK Pension Fund (the “Fund”)

### Scheme Year End – 31 December 2022

The purpose of the Implementation Statement is for us, the Trustee of the Piramal Healthcare UK Pension Fund, to explain what we have done during the year ending 31 December 2022 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. A summary of any review and changes made to the SIP over the year,
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

#### Our conclusion

**Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.**

In our view, most of the Fund’s material investment managers were able to disclose adequate evidence of voting and engagement activity, that the activities completed by our managers align with our Responsible Investment policy, and that our voting policy has been implemented effectively in practice.

## Changes to the SIP during the year

We reviewed the SIP during the year and made changes to reflect the Fund's investment in the Legal & General Investment Management ("LGIM") Synthetic Credit fund as well as the wider de-risking of investment strategy, following improvements in the funding level. We believe that our current SIP remains comprehensive in its coverage of Responsible Investment ("RI") and investment management oversight.

The Fund's latest SIP can be found here:

<https://www.piramalpharmasolutions.com/storage/app/uploads/public/62c/3ca/fb5/62c3cafb50b67568074127.pdf>

### What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

*Source: UN PRI*

## How the policies in the SIP have been followed

The Trustee recognises that the key risk to the Fund is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee identified a number of risks which have the potential to cause a deterioration in the Fund's funding level and therefore contribute to funding risk. The Trustee's policy is to monitor these risks periodically. These are as follows:

## Overriding principle

## Actions taken by the Trustee

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The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”).

The Trustee and its advisers considered this mismatching risk when setting the investment strategy and monitors the LDI portfolio (which hedged 100% of interest rate and inflation risk as a proportion of assets to September 2022, and subsequently hedged 100% of solvency liabilities) on an ongoing basis.

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The risk of a shortfall of liquid assets relative to the Fund’s immediate liabilities (“cash flow risk”).

The Trustee and its advisers have received regular updates from the administration team regarding the Fund’s cashflow position and whether a disinvestment from the Fund’s assets will be required to meet upcoming cashflow requirements. This is well managed, taking into account the timing of future payments in order to minimise the probability that this risk occurs.

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The failure by the asset managers to achieve the rate of investment return assumed by the Trustee (“manager risk”).

This risk is considered by the Trustee and its advisers both upon the initial appointment of the asset managers and on an ongoing basis thereafter. The Trustee receives quarterly reporting on each of the Fund’s managers performance and on any relevant updates.

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The failure to spread investment risk (“risk of lack of diversification”).

The Trustee and its advisers considered this risk when setting the Fund’s investment strategy. The Trustee has appointed two multi-manager funds (one of which was fully redeemed from in September 2022), with discretion to the overriding investment managers to make decisions relating to the fund structure. These allocations assist in providing diversification from investing in a number of underlying managers and asset classes.

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The possibility of failure of the Fund’s sponsoring employers (“covenant risk”).

The Trustee and its advisers considered this risk when setting investment strategy and has consulted with the sponsoring employer as to the suitability of the proposed strategy which is low-risk. Covenant risk is mitigated through a combination of this low-risk investment strategy alongside additional security provided by a Company guarantee.

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The risk of fraud, poor advice or acts of negligence (“operational risk”).

The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received. The Trustee has provided the Fund’s investment advisor with a set of objectives as per the relevant CMA order, some of which assess the quality of advice and operational performance of the advisor.

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The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly.

The Trustee considers this risk by taking advice from their investment adviser when setting the Fund's asset allocation, when selecting managers and when monitoring their performance. Monitoring of performance is both through regular meetings with Investment Managers, for which a checklist is used, and through the voting and engagement activities of the Investment Managers, which are reviewed. The Trustee also has in place a RI Policy which is reviewed annually (with the last review taking place in June 2022). This policy is shared with the Fund's investment managers.

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The Trustee also regularly monitors 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.

In June 2022, the Trustee reviewed the Fund's RI Policy to update the RI Checklist to inform investment managers of the level of detail required on ESG by the Trustee in presentations at Trustee meetings.

Over 2022, each of the Fund's investment managers presented at a Trustee meeting and provided an update in relation to their work in RI. In particular, the managers were asked to present on how their RI policies align with the Trustee's RI policy, which was shared with them in 2021, and again ahead of each meeting.

The Trustee's current agreed asset allocation strategy was chosen to meet the objectives set out in the SIP. This can be seen below:

<b>Asset Class</b>	<b>Target Weighting</b> %	<b>Range</b> %
<b>Return seeking assets</b>	<b>7.5</b>	<b>5.0 – 10.0</b>
Multi-strategy Growth Fund	7.5	5.0 – 10.0
<b>Income producing assets</b>	<b>15.0</b>	<b>10.0 – 25.0</b>
Direct Lending	15.0	10.0 – 25.0
<b>Risk reducing assets</b>	<b>77.5</b>	<b>65.0 – 85.0</b>
Low Risk Bond Fund	10.0	5.0 – 15.0
LDI*	62.5	45.0 – 70.0
Synthetic Leveraged Credit Fund**	5.0	2.5 – 10.0

\*The LDI allocation also includes the cash allocated to the LGIM Sterling Liquidity Fund.

\*\*The Synthetic Leveraged Credit mandate the Fund is invested with, is four times leveraged, therefore the Fund has a target exposure of 20%.

As at 31 December 2022, the weightings for the Direct Lending, Low Risk Bond and Synthetic Leveraged Credit allocations were out of their strategic ranges. This was due to:

1. A full redemption of the Low Risk Bond Fund to support the LDI portfolio as collateral, and wider de-risking work taking place. The Trustee intends to update the SIP to incorporate these changes once the implementation has been finalised.
2. The Fund has committed a set amount of capital to the Direct Lending allocation. Hayfin, the investment manager, has confirmed that no further capital calls will be made. The allocation to these portfolios will change as underlying investments are realised and monies returned to the Trustee. The Trustee expects the Direct Lending allocation to decrease in the medium to long term as this investment distributes cash as the investment period comes to an end. The distributions

made are used to meet cashflow requirements from the Fund and hence the investment has to date had no negative impact on the Fund's ability to meet cashflow requirements, neither is it expected to in the future. The Trustee monitors the availability of liquid assets and asset allocation on a regular basis.

## Our manager's voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Fund's investments is an important factor in deciding whether a manager remains the right choice for the Fund.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Fund's equity-owning investment managers to responsibly exercise their voting rights.

### Voting statistics

The table below shows the voting statistics for the Fund's material fund with voting rights for the year to 31 December 2022 and for the reporting period covering 1 January 2021 to 31 December 2021.

		Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
<b>Willis Tower Watson - Partners Fund</b>	2022	24,388	94.2%	13.5%	0.4%
	2021	6,436	99.6%	7.9%	1.2%

Source: Manager

### Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Fund's manager uses proxy voting advisers.

	Description of use of proxy voting advisers
<b>Willis Tower Watson - Partners Fund</b>	<p>For the TW PF, proxy voting advisees are employed for 4 underlying funds:</p> <ul style="list-style-type: none"> <li>▪ The global equity portfolio uses EOS which provides voting recommendations to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers must provide an explanation and note their rationale when they choose to vote differently to the recommendation. The underlying managers in this portfolio use ISS's 'Proxy Exchange' electronic voting platform to facilitate voting.</li> <li>▪ The underlying China equity manager uses Glass Lewis – a service where they have created a bespoke policy.</li> <li>▪ The emerging markets equity managers use ISS, Glass Lewis, SES and Broadridge Proxy Edge platforms for information and to facilitate voting.</li> <li>▪ The long-short equity managers use ISS to provide corporate research and to facilitate the voting process.</li> </ul>

Source: Manager

### Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

### Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

## Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Fund's investment manager to provide a selection of what they consider to be the most significant votes in relation to the Fund's funds. A sample of these significant votes can be found in the appendix.



## Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Fund's material managers over the year. Some of the engagement information provided is at a firm level i.e., is not necessarily specific to the fund invested in by the Fund.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
<b>Willis Towers Watson - Partner's Fund</b>	384	4,256	Climate Change, Human and labour rights (e.g. supply chain rights, community relations), Remuneration, Human capital management (e.g. inclusion & diversity, employee terms, safety) and Board effectiveness - Diversity.
<b>Hayfin Capital Management - Direct Lending Fund II</b>	0	3	Diversity and Inclusion initiatives, Engaging with a Third-Party consultant to measure Firm Level emissions, Cyber-Security.
<b>Hayfin Capital Management - Direct Lending Fund III</b>	1	3	
<b>LGIM - Synthetic Credit</b>	38	<i>Not Provided</i>	Climate change, Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human capital management (e.g. inclusion & diversity, employee terms, safety), Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Shareholder rights, Capital allocation, Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks).
Within Aon's Low Risk Bonds strategy:			
<b>Aegon Asset Management ("Aegon") – European Asset Backed Securities Fund</b>	132	441	Remuneration, Climate change, Reporting (e.g. audit, accounting, sustainability reporting), Human and labour rights (e.g. supply chain rights, community relations) and Board effectiveness - Independence or Oversight.
<b>Schroders– International Selection Fund Securitised Credit Fund</b>	80 ( <i>At the securitised and asset-based securities level</i> )	>2800	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity). Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health. Governance - Board effectiveness – Diversity, Board effectiveness - Independence or Oversight.

*Source: Managers. Hayfin, Aegon and Schroders did not provide fund level themes; themes provided are at a firm-level.*

## Aon's engagement activity

Over the year, the Fund held investments in the Aon Investments Limited ("Aon") Low Risk Bonds strategy. This is a fund of funds arrangement, where Aon selects the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon. We have reviewed Aon's latest annual Stewardship Report and we believe it shows that Aon is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code.

## Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Hayfin and Aegon did not provide fund level engagement themes.
- Schroders did not provide fund level engagement themes or the number of engagements relevant to the fund, in which the Fund is invested.
- While LGIM provided a comprehensive list of fund level engagements, which we find encouraging, it did not provide detailed engagement examples specific to the fund in which we are invested. Also, it did not provide firm level engagement information.

This report does not include commentary on the Fund's liability driven investments and/or cash, gilts etc because of the limited materiality of stewardship to these asset classes.

## Appendix – Significant Voting Example

In the table below are some significant vote examples provided by the Fund's material manager. We consider a significant vote to be one which the manager considers significant. This manager uses a wide variety of criteria to determine what is considered a significant vote, which is outlined in the example below:

Willis Towers Watson - Partners Fund	<b>Company name</b>	<b>Alphabet Inc.</b>
	<b>Date of vote</b>	01-Jun-2022
	<b>How the manager voted</b>	For
	<b>Did the manager communicate its intent to the company ahead of the vote?</b>	No
	<b>Summary of the resolution</b>	Report on Risks of Doing Business in Countries with Significant Human Rights Concerns
	<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.6%
	<b>Outcome of the vote</b>	Fail
	<b>Rationale for the voting decision</b>	None to report
	<b>Implications of the outcome</b>	For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
	<b>Criteria on which the vote is considered significant?</b>	Votes against management
Willis Towers Watson - Partners Fund	<b>Company name</b>	<b>Cigna corporation</b>
	<b>Date of vote</b>	27-Apr-2022
	<b>How the manager voted</b>	For
	<b>Did the manager communicate its intent to the company ahead of the vote?</b>	Yes
	<b>Summary of the resolution</b>	Report on gender pay gap
	<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.4%
	<b>Outcome of the vote</b>	Fail
	<b>Rationale for the voting decision</b>	We support disclosure of data to assess Cigna's gender pay gap on a raw and adjusted basis, which will positively support Cigna's global recruitment and human resources efforts.
	<b>Implications of the outcome</b>	Diversity and equity are important for the success of any company in the knowledge economy. We advocate companies provide enhanced disclosure related to diversity and pay equity so that shareholders can assess company's policies.
	<b>Criteria on which the vote is considered significant?</b>	Diversity, equity and inclusion are important for the long-term success of a company for them to attract and retain talent which in turn is important for shareholders' interests.

Source: Manager