

# SANKYO PHARMA UK LIMITED RETIREMENT SECURITY PLAN Engagement Policy Implementation Statement

Year Ending 31 December 2023

## 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 Principles ('SIP') produced by the Trustee, has been followed during the year to 31 December 2023. 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, as amended, 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 it has 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

There was no change of investment strategy over the Plan year, with the assets remaining in a low risk, bond investment strategy. The purpose of this strategy is to help protect funding gains that had been made when rises in gilt yields led to a significant fall in the value of the Plan's liabilities.

## Review of the SIP

The SIP was updated on 4 May 2023 to reflect the low risk bond investment strategy. This replaced the previous SIP dated 25 September 2020.

A copy of the latest SIP is available at:

[Sankyo Pharma SIP Approved 4 May 2023.pdf \(daiichi-sankyo.co.uk\)](https://www.daiichi-sankyo.co.uk/SIP/Approved/SIP_Approved_4_May_2023.pdf).

## 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 Legal and General Investment Management (LGIM), which is the manager of the pooled funds in which the Plan's assets are invested through Mobius.

## 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. It also sets out the processes followed by the Trustee in relation to stewardship.

In setting the investment strategy, the Trustee's key priority has been to put in place a low risk investment strategy, to protect the funding position of the Plan against changes caused by movements in financial markets.

The Plan's assets have therefore been invested solely in passively managed, bond based pooled funds over the Plan year. Furthermore, c85% of the assets were invested in pooled funds containing solely gilts and index-linked gilts. As these are issued by the UK Government, then ESG considerations do not naturally apply to the majority of the Plan's assets.

### **Trustee's Engagement**

As the Plan is mostly invested in pooled funds containing gilts and index-linked gilts there is very limited ability to influence behaviour by engagement.

The Trustee therefore invests with an investment manager where responsible investment is embedded appropriately in its approach to investment; including monitoring and engaging with investee companies.

Mercer's quarterly performance reporting includes Mercer's ESG scores for the funds in which the Plan is invested. These scores reflect Mercer's view on how the investment manager incorporates ESG factors into the management of the funds and helps the Trustee to determine whether further action should be taken in respect of specific funds.

The Trustee monitors the development of these scores over time, and would also consider Mercer's ESG scores when undertaking an investment strategy review and considering new investment funds.

The Trustee is satisfied that Mercer's ESG scores for the funds invested in are satisfactory in the context of the mandates of the funds.

As the Trustee has no direct relationship with the Plan's underlying investment manager (LGIM) the engagement initiatives are driven by the investment manager.

In relation to the c15% invested in corporate bonds, the Trustee acknowledges that it cannot directly influence the ESG policies and practices of the companies in which the pooled fund invests. However, the Trustee notes that further information on LGIM's approach to responsible investment and engagement is available at the following website:

<https://www.lgim.com/uk/en/capabilities/investment-stewardship/>

The Trustee also notes that LGIM has been a signatory of the UK Stewardship Code since 2021. (Source FRC Website.)

Taking all the above into consideration, the Trustee is satisfied that responsible investment and engagement is embedded appropriately into the investment manager's approach to investing.

### **Voting Activity**

The Plan disinvested from pooled funds with exposure to equities and therefore no longer holds assets with voting rights. As such, the Trustee does not assess any form of voting information as it is not applicable to the Plan's investments.

### **Assessment of how the Engagement Policies in the SIP have been followed for the year to 31 December 2023**

The Trustee is satisfied that the Engagement Policies set out in the SIP, which was in place over the year have been followed.