The Pension and Life Assurance Plan of the Royal College of General Practitioners – year to 31 March 2024

Implementation Statement

Overview

The Trustee of The Pension and Life Assurance Plan of the Royal College of General Practitioners (“the Trustee” and “the Plan” respectively) have prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Plans (Investment and Disclosure) (Amendment) Regulations 2019.

Its purpose is to demonstrate how the Trustee has followed the policy on voting, stewardship and engagement as set out in the Plan’s Statement of Investment Principles (“SIP”), signed in May 2024. This statement covers the period 1 April 2023 to 31 March 2024.

The Trustee is aware that the Employer has set its own ethical policy and the Trustee takes this policy into account when making investment decisions for the Plan. However, the Plan’s assets are held in pooled investment funds (via the Mobius Life investment platform) and the day-to-day management of these investments (including the responsibility for voting and engaging with companies) is delegated to the fund managers of those pooled investment funds (the “Fund Managers”).

The Fund Managers of the pooled investment funds as at 31 March 2024 were Legal & General Investment Management (“LGIM”), Partners Group (“Partners”), BNY Mellon Investment Management (“BNYM”), M&G Investments (M&G) and Columbia Threadneedle Investments (“CT”).

As Trustee of the Plan’s assets, we are responsible for the selection and retention of these funds. Reviewing the voting and engagement activities, for which we include details below, is an important exercise to help us ensure they remain appropriate and are consistent with the Fund Managers’ stated policies in this regard.

We are satisfied with the voting and engagement activities of the Fund Managers, and in particular, that the Fund Managers are using their position as stakeholder to engage constructively with investee companies; however, we will engage with them should we have any concerns about the voting and/or engagement activities carried out on our behalf.

The Trustee had no cause to challenge the Fund Managers’ voting and/or engagement activities during the year to 31 March 2024.

The Trustee has developed and continues to review an ESG Policy (which should be read in conjunction with section 7 of the Statement of Investment Principles) that sets out the Trustee’s ESG investment principles. The purpose of the ESG Policy is to document the Trustee’s ESG beliefs, summarise the ESG policies of their investment managers and help to ensure that the Trustee’s ESG policies are aligned with the College Trustee’s own Ethical Investment Policy where relevant and practical to do so. The College Trustee’s Ethical Investment Policy was adopted to ensure that its investments do not conflict with its aims. The Charity's ethical investment policy precludes direct or indirect investment in companies that generate more than 10% of revenues from alcohol, tobacco-related business activities, adult entertainment services, weapons systems and gambling-related business activities.

The College Trustee's Ethical Investment Policy also precludes investments in companies which:

- have an ICB sector classification of Oil & Gas producers and a sub-sector classification either of Integrated Oil & Gas or of Exploration & Production;
- have an ICB sector classification of Mining and a sub-sector classification of Coal;
- manufacture cluster munitions systems, components or delivery platforms;
- manufacture landmines;
- are involved in the production of depleted uranium weapons, ammunition or armour; or
- manufacture biological or chemical weapons

As it is not possible for individual investors to impose constraints on the investment policy of pooled funds, the Trustee has adopted the following approach:

- to select from a broader range of funds and to assess, at the point of appointment, how likely it is that a prospective new fund investment may conflict with these requirements. It must be accepted, however, that the fund manager would not be constrained to comply with any specific restrictions. In this sense, the College Trustee's ESG policy would be a "target" rather than a strict requirement.

Changes to investment strategy

During the year to 31 March 2024, the Trustee made changes to the investment strategy which are explained further below.

- In December 2023, the Trustee agreed to switch the Plan's current allocation from actively managed equities (split between Lindsell Train and Troy Trojan) into a passively managed equity fund with LGIM (LGIM MSCI World SRI Index Fund), thereby further aligning the Plan's portfolio with the Trustee's ethical investment policy.
- Improvements in the Plan's funding level over the period saw the Trustee take the decision to de-risk the strategy in line with the funding level triggers at the end of March 2024.

All of the changes to the investment strategy detailed above were based on advice received from the Trustee's investment consultant.

Voting and engagement

Details on voting and engagement activities provided by LGIM, Partners, BNYM, M&G and CT are set out below. In order to produce this statement, we have asked the Fund Managers a series of questions about their policies, actions and for examples relating to their voting and engagement activities. We have then reviewed these and summarised their responses for the purposes of this statement.

LGIM have provided information relating to the Dynamic Diversified Fund and MSCI World SRI Index, Partners have provided information relating to the Generations Fund, as these funds hold equities for which the Fund Managers have voting rights.

The BNYM Global Dynamic Bond Fund and M&G Total Return Credit Fund do not hold equities and given that bonds do not confer voting rights, there was no voting carried out in relation to these funds.

However, BNYM and M&G do undertake engagement activities in respect of their bond holdings and we have included examples below.

The CT Nominal and Short-Profile Real Dynamic LDI Funds do not hold equities and given that the investments do not confer voting rights, there was no voting carried out in relation to these funds. However, CT do undertake engagement activities with counterparty banks on relevant issues, where applicable, and we have included an example below.

LGIM - voting and engagement activities

The following is based on the information that LGIM have provided in response to our questions and provides an illustration as to how they co-ordinate their voting and engagement activities with companies.

"LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

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 we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA)."

LGIM MSCI World Socially Responsible Investment Fund

LGIM were eligible to vote on 5,706 resolutions. They voted on 99.8% of these. Votes for: 79%, Against 20%, Abstained: <1%.

LGIM Dynamic Diversified Fund

LGIM were eligible to vote on 98,900 resolutions. They voted on 99.8% of these. Votes for: 77%, Against 22%, Abstained: <1%.

LGIM provided the following examples in response to our request to provide details of their most significant votes:

1. **EMS-Chemie Holding AG Corporation**

   Date: 12/07/2023

   Resolution: Elect Bernhard Merki as Director, Board Chair, and Member of the Compensation Committee

   Vote: Against

   "The company's climate-related disclosures are lacking in the transparency and robustness that we believe is necessary for shareholders to obtain a sound picture of the company's climate transition plans and strategy. We also have concerns with regards to the scope and credibility of its net-zero commitment, as well as its medium-term targets, alignment to a 1.5°C scenario, and reliance on offsets. The company currently does not align executive remuneration with its medium-term emissions targets, which raises governance concerns regarding prioritisation and accountability for climate-related issues.

   Further, we have been disappointed in the company's lack of response to its shareholders' requests for dialogue regarding its climate strategy and disclosures.

   Our decision to vote against the re-election of the Chair of the Board, Bernhard Merki, is an escalation of our collaborative engagement with ShareAction and a reflection of our longstanding climate concerns at the company."

   Outcome – 94.7% of shareholders supported the resolution.

   Why is this vote "significant"?

   "*At LGIM, we believe that the chemicals sector has a crucial role to play in the global transition to net zero and in addition to publishing our sector-specific expectations under the Climate Impact Pledge, we have also joined a collaborative initiative to engage with the largest European chemicals companies, organised by ShareAction..*"

2. **FedEx Corporation**

   Date: 21/09/2023

   Resolution: Adopt a paid sick leave policy

   Vote: For

   "A vote in favour was applied as LGIM supports the adoption of a paid sick leave policy for all employees as it is set to improve employee wellbeing which is critical to human capital management and gender equality."

Outcome – 34.6% of shareholders supported the resolution.

Why is this vote "significant"?

"*This vote is significant because it relates to human capital management issues, which have been a focus of engagement for us, and reflects our broader campaign in 2022 on paid sick leave at US railway companies.*"

Partners Group - voting and engagement activities

The following is based on the information that Partners have provided in response to our questions on voting and engagement and provides an illustration as to how they co-ordinate their voting and engagement activities with companies.

"We are fully committed to investing our clients' capital in a responsible manner and integrate environmental, social and governance (ESG) factors, alongside commercial and financial factors, into our investment due diligence and ownership.

We believe that the integration of material ESG factors into our investment processes is a core part of our fiduciary duty to act in the best interests of our clients and their beneficiaries and has the potential to mitigate investment risk and enhance investment returns.

As a private markets investment manager, we integrate ESG factors throughout the investment process in all investment types (direct, primary and secondary) and asset classes (private equity, private debt, private infrastructure and private real estate). To ensure the systematic integration of ESG factors in this process, we have developed a Responsible Investment Policy and Methodology.

For each investment opportunity, our investment teams are required to identify and consider the relevant ESG factors during due diligence through our proprietary ESG Due Diligence Assessment. Partners Group's ESG & Sustainability team supports the investment teams in assessing the weight that should be given to these considerations and in identifying potential ESG risks and value creation opportunities.

During ownership, we initiate projects in our portfolio companies and assets to improve their performance in managing ESG factors and integrate reporting on their ESG performance into our annual Corporate Sustainability Report and quarterly client reporting.

Our voting is based on the internal Proxy Voting Directive. We hire services of Glass Lewis & Co, which is one of the leading global proxy voting service providers, and they have been instructed to vote in-line with our Proxy Voting Directive. Wherever the recommendations for Glass Lewis, our proxy voting directive, and the company's management differ, we vote manually on those proposals."

Partners Group Generations Fund

Partners Group were eligible to vote on 742 resolutions. They voted on 96.1% of these. Votes for: 92%, Against 5%, Abstained: 3%.

"The Generations Fund focuses on private markets investments and has a diversified portfolio of over 150 investments across private equity, private debt, private real estate and private infrastructure. As the majority of the investments are in direct, or controlling, equity positions in these private market companies/assets, in principle Partners Group is able to exert much greater influence on the direction of the companies when compared to the voting rights of listed equity managers. Due to the controlling positions taken by Partners Group, it is their actions to embed and improve ESG credentials that are often more relevant than voting."

In response to our request to provide details of their most significant votes and examples of engagement, Partners Group did not provide any examples. Partners stated *'As a private markets firm, we hold controlling stakes in our investment companies. Consequently, our engagement is of an ongoing nature and we do not track individual exchanges.'*

BNYM - engagement

The following commentary is based on the information that BNYM have provided in response to our questions on voting and engagement and illustrates how they co-ordinate their voting and engagement activities with companies. Newton is a subsidiary of BNYM and the entity that manages the Sustainable Real Return Fund and the Sustainable Global Dynamic Bond Fund.

"We believe the value of our clients' portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Our understanding of a company's fundamental business enables us to assess the appropriate balance between the strict application of corporate governance policies and taking into account a company's unique situation.

We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence. It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares, as we believe executive pay should be aligned with performance."

BNYM Global Dynamic Bond Funds

The fund does not hold equities and therefore does not have the same voting rights as some other funds. However, Newton's engagement activities are undertaken for all the companies that they hold and so they also engage with the companies whose bonds are held in this fund.

There were 3 engagements over the year in relation to this fund. The majority of engagements were made regarding social topics.

The Trustees have reviewed Newton's engagement activity in conjunction with their adviser, Cartwright, and the following has been identified as the most significant example of engagement from the perspective that it potentially has the biggest financial impact on the Scheme, as set out in the SIP.

> **BARCLAYS**
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> *"The engagement goal is to encourage the bank to strengthen its climate transition plan. Barclays has considerable exposure to the fossil fuel industry, therefore monitoring and encouraging the bank to strengthen its climate transition plan wherever necessary is important to ensure that the bank remains on track to achieve its emission reduction targets.*
>
> *Key takeaways:*
>
> - *Client transition framework: 150 clients (from sectors where the bank has targets) are part of this framework, with 80% having climate targets. The bank is working with Oliver Wyman to review and compare with best practice. It will disclose its transition plan framework this year and will cover outputs of the methodology as well.*
> - *Physical and transition risk: The bank participated in Bank of England's (BoE) Climate Biennial Exploratory Scenario (CBES) and received feedback on both physical and transition risks, although it is restricted in what it can disclose of this central stress test. The bank incorporates climate in its own stress tests and evaluates which portfolios are more susceptible to weather risks.*
> - *BlueTrack (internal tool for climate targets for sectors): Originally constructed with third party help. Targets not externally verified, but numbers used for the targets are assured by KPMG. BlueTrack includes capital markets financing, which is important for the bank, therefore the bank is working with SBTi and waiting for PCAF methodology to include the same.*
>
> *The bank will disclose its client transition framework this year. We are pleased to see movement on this as we have been asking the bank to provide this for some time. We also view it as a positive that the bank is working with the SBTi to align methodologies. While we note the merit of BlueTrack including capital market financing, external verification of targets would provide us with added comfort.*
>
> *Next steps: Monitor the bank's reporting on its client transition framework, assess the progress vs. current sectoral targets disclosed by the bank."*

<u>M&G - engagement</u>

The following commentary is based on the information that M&G have provided in response to our questions and illustrates how they co-ordinate their engagement activities with companies.

"Across all of our assets classes, M&G believes that ESG factors can have a material impact on long-term investment outcomes. Our goal is to achieve the best possible risk-adjusted returns for our clients, taking into account all factors that influence investment performance.

Alongside engagement with investee companies, active voting is an integral part of our investment approach. We believe exercising our vote adds value and protects the interests of our clients as shareholders. We often get asked by clients how we carry out our voting, as a number of asset managers just follow their proxy agents advice. We use the ISS voting platform to vote and we have built, with ISS, a custom voting service that reflects our public voting policy.

Given the limited upside and potential downside of fixed income investments, the focus of our ESG analysis is on understanding downside risks. Since ESG risks often develop over the longer term, and given our long-term investment approach, we believe it is essential to integrate ESG issues into our investment process. Our integrated approach to ESG is applied across all forms of fixed income including corporate bonds, government bonds, securitised debt, real estate debt, infrastructure debt, leveraged finance, direct lending and private placements.

Engagement with issuers is usually undertaken by our credit analyst team, with support when needed from the Corporate Finance and Stewardship team, since they have a clear and detailed understanding of the ESG issues affecting the credit quality of the issuers that they cover. Although bond holders normally have less influence than equity holders when engaging with companies, M&G considers it important to engage with fixed income issuers regarding material ESG issues in order to gain better understanding of ESG risks, and to encourage improved ESG practices.

The additional insight often gained through ESG engagement also better informs our credit views and investment decisions. We prefer to engage on ESG issues directly with an issuer's senior management, and M&G's significant scale in fixed income markets provides us with necessary access to an issuer's senior management in order to do so. In our private debt business, we are often one of the primary sources of finance for the borrower, which can give us significant access and influence to engage."

M&G Total Return Credit Funds

The fund does not hold equities and therefore does not have the same voting rights as some other funds. However, M&G's engagement activities are undertaken for all the companies that they hold and so they also engage with the companies whose bonds are held in this fund.

There were 11 engagements over the year in relation to this fund. The majority of engagements were made regarding environmental topics.

The Trustees have reviewed M&G's engagement activity in conjunction with their adviser, Cartwright, and the following have been identified as the most significant examples of engagement from the perspective that they potentially have the biggest financial impact on the Scheme, as set out in the SIP.

1. **ING GROEP NV**

“Objective: As part of a wider discussion on Dutch financial institution ING's climate targets and strategy (the company is currently committed to a near term Science Based Targets initiative (“SBTi”)) we had a number of requests to better allow us to measure and track its progress, as well as encouraging a net zero commitment, beyond its near term commitment.

Action:

- *As part of its regular reporting, we asked for clear data disclosure in a single place - we asked that this include financed emissions.*
- *Requested additional scope 3 categories reporting - currently category 15 and business travel only.*
- *Requested a continuation of CDP disclosure, which the company had stopped completing.*
- *We also asked for the publication of milestones in its climate strategy, with remuneration links.*

M&G met with the company's lead on customer engagement, climate lead, and investor relations.

Outcome: ING is reviewing the latest SBTi guidance for banks (which it helped to inform) before jumping the final hurdle and submitting its targets to SBTi for approval. It currently expects to be doing this in 2024. It is focusing its attention on materiality, so engaging with the largest emitting sectors on its loan book, and encouraging relevant sectors to sign up to SBTi. The company was very receptive to our requests, and we will follow up in due course to see how for on board they've been taken.”

2. WESTLAKE CORP

“*Objective: To ask Westlake, the North American chemical company, to set a Net Zero target for scope 1,2 and 3 emissions verified by SBTi, increase its scope 1&2 reduction targets for 2030 from 20% to 30%, disclose scope 3 emissions and its decarbonisation strategy and report under TCFD .*

Action: M&G met with a mixture of the finance and sustainability teams including the CFO.

Outcome: Westlake explained the company is not going to commit to a Net Zero target until it has a clear pathway to get there. It is dialoguing with SBTi and as Westlake gets closer to achieving 20% reduction for scope 1 &2 it is considering what the next steps will be. The next sustainability report will be published in the next few weeks and the company is working on TCFD and scope 3 emission disclosures. In terms of decarbonisation most of the investment is currently expensed in engineering resource rather than through capex. M&G will review the sustainability report upon its publication and follow up with the company next year.”

<u>CT - engagement</u>

The following commentary is based on the information that CT have provided in response to our questions and illustrates how they co-ordinate their engagement activities with companies. These examples provide evidence that they are engaging actively with the companies they invest in on behalf of the Scheme.

"We take responsible investment seriously. The identification of financially material environmental, social and governance (ESG) issues forms part of our investment process, helping us to manage risk and support long-term returns. Beyond the management of opportunity and risk, we also see responsible investing and broader investment stewardship activities as part of our duty as an investor acting in the best interest of our clients, and as a participant in the global financial system.

Our approach is aligned with the core values and beliefs of the wider Financial Group, and draws on national and international codes and standards for responsible investment and ownership, including the United Nations Principles for Responsible Investment, to which we are a founder signatory.

LDI portfolios are very different to traditional equity or bond portfolios and so our engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom we have the greatest exposure and to companies whom we feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones."

Columbia Threadneedle Dynamic LDI Funds

The fund contains investments that provide exposure to long dated interest rates / inflation. It does not hold equity investments and the fund manager is therefore not eligible to vote. However, CT does still engage with counterparty banks on relevant issues.

There were 15 engagements over the year in relation to all CT LDI portfolios. The majority of engagements were made regarding environmental topics.

The Trustees have reviewed CT's engagement activity and in conjunction with their adviser, Cartwright, have identified the following as the most significant example of engagement from the perspective that they potentially have the biggest financial impact on the Scheme, as set out in the SIP.

> ***BARCLAYS PLC***
>
> *"Barclays updated their fossil fuel financing policy. They will no longer provide financing to oil sands exploration and production companies, or financing focused on the construction of new oil sands exploration assets, production and processing infrastructure or oil sand pipelines.*
>
> *We have engaged numerous times with Barclays on their management of climate risks. While this is an important part of their management of climate risks, their fossil fuel financing policy remains looser compared to other UK peers, and will likely continue to create reputational risks."*