Engagement Policy Implementation Statement for the year ended 31 December 2023

Introduction

This Implementation Statement has been prepared by the Royal College of Physicians (1973) Staff Pension Scheme (the 'Scheme'). The Scheme provides benefits calculated on a defined benefit (DB) basis for members.

This statement sets out how, and the extent to which, in the opinion of the Trustees, the policies (set out in the Statement of Investment Principles (the 'SIP')) on the exercise of rights (including voting rights) attaching to the investments and engagement activities have been followed during the year ending 31 December 2023. This statement also describes the voting behaviour by, or on behalf of, the Trustees including the most significant votes cast during the year, and whether a proxy voter has been used.

Trustees' overall assessment

In the opinion of the Trustees, the policies as set out in the SIP have been followed during the year ending 31 December 2023.

Review of the SIP

The Trustees' policies have been developed over time by the Trustees in conjunction with their investment consultant and are reviewed and updated periodically and at least every three years.

Policy in relation to the kinds of investments to be held

The Trustees have given full regard to their investment powers as set out in the Trust Deed and Rules and have considered the attributes of the various asset classes when deciding the kinds of investments to be held. The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index linked bonds, cash, property, private equity, hedge funds and pooled investment vehicles considered appropriate for tax-exempt approved occupational pension schemes. The Trustees consider all of the stated classes of investment to be suitable in the circumstances of the Scheme.

All investments made during the year have been in line with their investment powers.

Investment strategy and objectives

Investment strategy

The investment strategy for the Scheme is based on an analysis of its liability profile, the required investment return and the returns expected from the various asset classes over the long-term. The Trustees review this investment strategy and the asset allocation as part of each triennial actuarial valuation. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

Policy in relation to the balance between various kinds of investments and the realisation of investments

The appointed investment managers hold a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market, each manager will maintain a diversified portfolio of securities.

The Trustees require the investment managers to be able to realise the Scheme's investment in a reasonable timescale by reference to the market conditions existing at the time the disposal is required.

Other than making disinvestments from the cash fund to pay benefits and to increase hedging targets, the Trustees have not made any changes to the mix of investments.

During the year, the Trustees considered the return expected from their assets as part of their investment strategy review and compared this against the assumptions set out in the published valuation report.

Risk capacity and risk appetite

Policy in relation to risks

Although the Trustees acknowledge that the main risk is that the Scheme will have insufficient assets to meet its liabilities, the Trustees recognise other contributory risks, including the following risks:

- Associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Of the Scheme having insufficient liquid assets to meet its immediate liabilities.
- Of the investment managers failing to achieve the required rate of return.
- Due to the lack of diversification of investments.
- Of failure of the Scheme's Sponsoring Employer to meet its obligations.

The key strategic risks were assessed during the year as part of the investment strategy review.

The Trustees monitor manager risks through the quarterly performance monitoring reports and cost disclosure documents provided by and discussed with the investment consultant.

Four monitoring reports were received during the year. These did not highlight any significant concerns over the level of risk being run within the Scheme.

Stewardship in relation to the Scheme assets

Policies in relation to investment manager arrangements

The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, set by the investment manager, for their services. The Trustees have very limited to no influence over the objectives of these funds or the fees they charge (although fee discounts can be negotiated in certain circumstances).

The Trustees receive information on any trading costs incurred as part of asset transfer work within the Scheme, as and when these occur. The exercise is only undertaken if the expected benefits outweigh the expected costs.

Given the Scheme's strong funding position, the Trustees agreed to de-risk the investment strategy and the new investment strategy was implemented in full in early September 2023.

The investment managers invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. In return the Trustees have paid their investment managers a fee which is a fixed percentage of assets under management.

The investment consultant has provided regular information on their views of the investment managers.

Investment manager monitoring and changes

During the year the Trustees received four reports from the investment consultant examining the performance of the pooled funds used. The Trustees also received reports directly from the previously appointed platform provider, Mobius Life; and the current platform provider, LGIM, from 14 December 2023.

There have been no changes to the Scheme's existing investment manager arrangements.

Appropriate written advice will be taken from the investment consultant before the review, appointment, or removal of the investment managers.

Stewardship of investments

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

The Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled funds to use in order to meet specific policies. They expect that their investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments including environmental, social and governance (ESG) factors, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustees have decided not to take non-financial matters into account when considering their policy objectives.

Stewardship - monitoring and engagement

The Trustees recognise that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees have not set out their own stewardship priorities but follow that of the investment managers.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity.

The Trustees also delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustees seek to appoint managers that have strong stewardship policies and processes 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. Details of the signatory status of each investment manager is shown below:

Investment manager	UN PRI Signatory	UK Stewardship Code Signatory
Legal & General Investment Management	Yes	Yes
M&G	Yes	Yes

As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

Investment manager engagement policies

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees 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 is shown in the appendix.

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

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

Engagement	LGIM Ethical Global Equity Index Fund - GBP Hedged	LGIM Ethical Global Equity Index Fund	M&G Total Return Credit Fund
Period	01/10/2022-30/09/2023	01/10/2022-30/09/2023	01/01/2023-31/12/2023
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.		Not provided
Number of companies engaged with over the year	268	268	6
Number of engagements over the year	443	443	8

Exercising rights and responsibilities

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The Trustees have been provided with details of what each investment manager considers to be the most significant votes. The Trustees have not influenced the manager’s definitions of significant votes, but have reviewed these and are satisfied that they are all reasonable and appropriate.

The Trustees have selected the three votes affecting the largest asset holdings for inclusion in this statement. The Trustees did not communicate with the manager in advance about the votes they considered to be the most significant.

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

The Trustees do not carry out a detailed review of the votes cast by or on behalf of their investment managers but rely on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustees consider the proportion of votes cast and the proportion of votes against management to be an important (but not the only) consideration of investor behaviour.

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

Voting behaviour	LGIM Ethical Global Equity Index Fund - GBP Hedged	LGIM Ethical Global Equity Index Fund
Period	01/01/2023-31/12/2023	01/01/2023-31/12/2023
Number of meetings eligible to vote at	1,175	1,175
Number of resolutions eligible to vote on	16.787	16.787
Proportion of votes cast	99.90%	99.90%
Proportion of votes for management	81.34 %	81.34 %
Proportion of votes against management	18.48 %	18.48 %
Proportion of resolutions abstained from voting on	0.17%	0.17 %

Trustees’ engagement

The Trustees have undertaken a review of each investment manager’s engagement policy including their policies in relation to financially material considerations.

The Trustees may also consider reports provided by other external ratings providers.

Where an investment manager has received a relatively low rating from the investment consultant or from other external rating providers, the Trustees may consider whether to engage with the investment manager.

The Trustees have reviewed the investment managers’ policies relating to engagement and voting and how they have been implemented and have found them to be acceptable at the current time.

The Trustees recognise 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.

Appendix

Links to the engagement policies for each of the investment managers can be found here:

Investment manager	**Engagement policy**
Legal & General Investment Management	https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf
M&G Investments	https://www.mandg.com/~/media/Files/M/MandG-Plc/documents/mandg-investments-policies/mg-investments-engagement-policy-may-2022.pdf

Information on the most significant votes LGIM participated in in respect of the funds used during the year ending 31 December 2023 is shown below (these stocks are held in both funds). The Trustees have not influenced the manager's definitions of significant votes, but have reviewed these and are satisfied that they are all reasonable and appropriate.

LGIM	**Vote 1**	**Vote 2**	**Vote 3**
Company name	Microsoft Corporation	NVIDIA Corporation	Alphabet Inc.
Date of Vote	2022-12-07	2023-06-22	2023-06-02
Approximate size of LGIM Ethical Global Equity Index Fund – GBP Hedged fund's holding as at the date of the vote (as % of portfolio)	7.4%	2.6%	2.2%
Approximate size of LGIM Ethical Global Equity Index Fund fund's holding as at the date of the vote (as % of portfolio)	7.6%	2.6 %	2.1%
Summary of the resolution	Resolution 1.06 - Elect Director Satya Nadella	Resolution 1i - Elect Director Stephen C. Neal	Resolution 18 - Approve Recapitalization Plan for all Stock to Have One-vote per Share
How the fund manager voted	Against	Against (against management recommendation)	For (against management recommendation)
Where the fund manager voted	LGIM publicly communicates its vote	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with	

against management, did they communicate their intent to the company ahead of the vote	instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	a rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	
Rationale for the voting decision	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	Shareholder Resolution - Shareholder rights: A vote in favour is applied as LGIM expects companies to apply a one-share-one-vote standard.
Outcome of the vote	N/A	89.2% (Pass)	30.7% (Fail)
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate LGIM's position on this issue and monitor company and market-level progress.		LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.
Criteria on which the vote is assessed to be "most significant"	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of LGIM's vote policy on the topic of the combination of the board chair and CEO.	Thematic - Diversity: LGIM views gender diversity as a financially material issue for LGIM's clients, with implications for the assets LGIM manage on their behalf.	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.

Information on the most significant engagement case studies LGIM participated in during the year ending 31 December 2023 is shown below.

LGIM	**Case Study 1**	**Case Study 2**	**Case Study 3**
Name of entity engaged with	ExxonMobil	BP Plc	J Sainsbury Plc
Topic	Environment: Climate change (Climate Impact Pledge)	Environment: Climate change (Climate Impact Pledge)	Social: Income inequality - living wage (diversity, equity and inclusion)
Rationale	As one of the world's largest public oil and gas companies in the world, we believe that Exxon Mobil's climate policies, actions, disclosures and net zero transition plans have the potential for significant influence across the industry as a whole, and particularly in the US. At LGIM, we believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under our Climate Impact Pledge, we publish our minimum expectations for companies in 20 climate-critical sectors. We select roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in our view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. Our in-depth engagement is focused on helping companies meet these minimum	As one of the largest integrated oil and gas producers in the world, BP has a significant role to play in the global transition to net zero, hence our focus on this company for in-depth engagements. As members of the CA100+ we commit to engaging with a certain number of companies on their focus list and on account of our strong relationship with BP, we lead the CA100+ engagements with them. At LGIM, we believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under our Climate Impact Pledge, we publish our minimum expectations for companies in 20 climate-critical sectors. We select roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in our view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other	Ensuring companies take account of the ‘employee voice’ and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of our stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, our work on income inequality and our expectations of companies regarding the living wage have acquired a new level of urgency. LGIM’s expectations of companies: i) As a responsible investor, LGIM advocates that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their supply chains. ii) We expect the company board to challenge decisions to pay employees less than the living wage.

	expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag our minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions). UN SDG 13: Climate action	companies within the sector, and in supply chains. Our in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag our minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions). UN SDG 13: Climate action	iii) We ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees. iv) In the midst of the pandemic, we went a step further by tightening our criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) in order to remain a going concern. With over 600 supermarkets, more than 800 convenience stores, and nearly 190,000 employees, Sainsbury's is one of the largest supermarkets in the UK. Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living wage accredited. UN SDG 8: Decent work and economic growth
What the investment	LGIM has been engaging with Exxon Mobil since 2016 and they have participated	LGIM been engaging with BP on climate change for a number of years, during the course	Sainsbury's has recently come under scrutiny for not paying a real living wage. LGIM

manager has done	willingly in LGIM's discussions and meetings. Under LGIM's Climate Impact Pledge, they identified a number of initial areas for concerns, namely: lack of Scope 3 emissions disclosures (embedded in sold products); lack if integration or a comprehensive net zero commitment; lack of ambition in operational reductions targets and lack of disclosure of climate lobbying activities. LGIM's regular engagements with Exxon Mobil have focused on their minimum expectations under the Climate Impact Pledge. The improvements made have not so far been sufficient in LGIM's opinion, which has resulted in escalations. The first escalation was to vote against the re-election of the Chair, from 2019, in line with LGIM's Climate Impact Pledge sanctions. Subsequently, in the absence of further improvements, LGIM placed Exxon Mobil on their Climate Impact Pledge divestment list (for applicable LGIM funds) in 2021, as we considered the steps taken by the company so far to be insufficient for a firm of its scale and stature. Nevertheless, LGIM's engagement with the company continues. In terms of further voting activity, in 2022 LGIM supported two climate-	of which LGIM have seen many actions taken regarding climate change mitigation. BP has made a series of announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US. LGIM's recommendation for the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP has also announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050. LGIM met with BP several times during 2022. In BP's 2022 AGM, LGIM were pleased to be able to support management's 'Net Zero – from ambition to action' report (Resolution 3). Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a	engaged initially with the company's [then] CEO in 2016 about this issue and by 2021, Sainsbury's was paying a real living wage to all employees, except those in outer London. We joined forces with ShareAction to try to encourage the company to change its policy for outer London workers. As these engagements failed to deliver change, we then joined ShareAction in filing a shareholder resolution in Q1 2022, asking the company to becoming a living wage accredited employer. This escalation succeeded insofar as, in April 2022, Sainsbury's moved all its London-based employees (inner and outer) to the real living wage. LGIM welcomed this development as it demonstrates Sainsbury's values as a responsible employer. However, the shareholder resolution was not withdrawn and remained on the 2022 AGM agenda because, despite this expansion of the real living wage to more employees, there are still some who are excluded. This group comprises contracted cleaners and security guards, who fulfil essential functions in helping the business to operate safely. Levels of individual typically engaged with include the Chair, the

	related shareholder resolutions (i.e. voted against management recommendation) at Exxon's AGM, reflecting LGIM's continued wish for the company to take sufficient action on climate change in line with our minimum expectations. Levels of individual typically engaged with include lead independent director, investor relations, director and CFO.	substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments. Levels of director typically engaged with include the chair, the CEO, head of sustainability, and investor relations.	CEO, and head of investor relations.
Outcomes and next steps	Since 2021, LGIM have seen notable improvements from Exxon Mobil regarding our key engagement requests, including disclosure of Scope 3 emissions, a 'net zero by 2050' commitment (for Scopes 1 and 2 emissions), the setting of interim operational emissions reduction targets, and improved disclosure of lobbying activities. However, there are still key areas where LGIM require further improvements, including inclusion of Scope 3 emissions in their targets, and improving the level of ambition regarding interim targets. LGIM are also seeking further transparency on their lobbying activities. The company remains on LGIM's divestment list (for relevant funds), but our engagement with them continues.	LGIM will continue engaging with BP on climate change, strategy and related governance topics. Following the company's decision to revise their oil production targets, LGIM met with the company several times in early 2023 to discuss our concerns.	Since filing the shareholder resolution, Sainsbury's has made three further pay increases to its directly employed workers, harmonising inner and outer London pay and is now paying the real living wage to its employees, as well as extending free food to workers well into 2023. LGIM welcome these actions which demonstrate the value the board places on its workforce. LGIM have asked the board to collaborate with other key industry stakeholders to bring about a living wage for contracted staff.