

# Engagement Policy Implementation Statement for the year ending 31 December 2020

## **Introduction**

The Trustees of the Royal College of Physicians (1973) Staff Pension Scheme (the 'Scheme') 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.

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) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending 31 December 2020. This statement also describes the voting behaviour by, or on behalf of, the Trustees.

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 characteristics of underlying investments, 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.

During the year, the Trustees received training from their investment consultant on stewardship and engagement.

## **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' 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 expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

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 provided in the Appendix.

These policies are publicly available on each investment manager's website.

### 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. Investment managers 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 (where relevant for equity investments) are as follows:

<b>Voting behaviour</b>			
<b>Investment manager</b>	<b>Period</b>	<b>Proportion of votes cast</b>	<b>Proportion of votes against management</b>
LGIM	31/12/2019-31/12/2020	99%	17%

### Trustees' assessment

The Trustees believe that the investment managers' policies relating to engagement and voting and how they have been implemented are 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 the investment managers can be found here:

Investment manager	Engagement policy	Annual disclosure statement
Legal & General Investment Management	<a href="https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-engagement-policy.pdf">https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-engagement-policy.pdf</a>	<a href="https://www.lgim.com/landg-assets/lgim/document-library/capabilities-voting-reports/uk-sep20.pdf">https://www.lgim.com/landg-assets/lgim/document-library/capabilities-voting-reports/uk-sep20.pdf</a>
BMO Global Asset Management	<a href="https://www.bmogam.com/gb-en/intermediary/wp-content/uploads/2019/05/responsible-investment-approach.pdf">https://www.bmogam.com/gb-en/intermediary/wp-content/uploads/2019/05/responsible-investment-approach.pdf</a>	Not applicable
M&G Investments	<a href="https://global.mandg.com/~/_media/Files/M/MandG-Plc/documents/mandg-investments-policies/15-06-20-MandG-Shareholder-Rights-Directive-Engagement-Policy.pdf">https://global.mandg.com/~/_media/Files/M/MandG-Plc/documents/mandg-investments-policies/15-06-20-MandG-Shareholder-Rights-Directive-Engagement-Policy.pdf</a>	Not applicable
Janus Henderson	<a href="https://cdn.janushenderson.com/webdocs/Sustainability+Risk+Policy_EU.pdf">https://cdn.janushenderson.com/webdocs/Sustainability+Risk+Policy_EU.pdf</a>	Not applicable