The Pension and Life Assurance Plan of the Royal College of General Practitioners – year to 31 March 2023

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"), dated May 2022. This statement covers the period 1 April 2022 to 31 March 2023.

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").

Following the acquisition of BMO's EMEA Asset Management business by Columbia Threadneedle in 2021, as of 1 July 2022 the enlarged business operates under the Columbia Threadneedle Investments brand.

The Fund Managers are Legal & General Investment Management ("LGIM"), Lindsell Train Limited ("Lindsell Train"), Troy Asset Management ("Troy"), 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 2023.

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 2023, the Trustee made a number of changes to the investment strategy which are explained further below.

- 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.
- Following the severe volatility in financial markets in September and October as a result of the 'mini-budget' by the UK government, the short profile real LDI fund cut its exposure and as a result the Plan's level of protection against changes in interest rates and inflation was temporarily reduced. In mid-December the Trustee subsequently agreed to reinstate the hedge ratios by partially disinvesting from the growth asset funds and investing the proceeds between the real LDI fund and the BNY Mellon fund.

Shortly after the year-end, the Trustee invested in sustainable versions of the M&G and BNY Mellon funds, thereby further aligning the Plan's portfolio with the ethical investment policy currently in development by the Trustee.

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, Lindsell Train, Troy, 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, Lindsell Train, Troy and Partners have provided information relating to the Dynamic Diversified Fund, Global Equity Fund, Trojan Global Equity Fund and the Generations Fund respectively 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 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 Dynamic Diversified Fund

LGIM were eligible to vote on 99,647 resolutions. They voted on 96.6% of these. Votes for: 79%, Against 21%, Abstained: <1%.

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

1. **ROYAL DUTCH SHELL PLC**

   Date: 24/05/2022

   Resolution: Approve the Shell Energy Transition Progress Update

   Vote: Against

   "A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, we remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses."

   Outcome – 79.9% of shareholders supported the resolution.

2. **RIO TINTO PLC**

   Date: 08/04/2022

   Resolution: Approve Climate Action Plan

   Vote: Against

   "We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner."

   Outcome - 84.3% of shareholders supported the resolution.

Lindsell Train - voting and engagement activities

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

“The primary voting policy of Lindsell Train is to protect or enhance the economic value of its investments on behalf of its clients. Lindsell Train’s Portfolio Managers are responsible for proxy voting decisions and it is their policy to exercise all voting rights. Proxy voting decisions are the result of careful judgement in order to ensure the best possible outcome to generate long-term shareholder value. The manager will vote against any agenda that threatens this position, in particular concerns over inappropriate management remuneration or incentives, changes in capital structure and mergers or acquisitions which are seen as detrimental to the investment held.”

Lindsell Train Global Equity Fund

Lindsell Train participated in all of the 316 available votes for the companies in which they invest. Votes: For 97%, Against 2%, Abstained 1%.

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

1. **WALT DISNEY**

   Date: 09/03/2022

   Resolution: Advisory vote on Executive compensation

   Vote: Against

   “Lindsell Train pays careful consideration to the compensation policies of the companies in which we invest. In assessing their compensation policies we focus more on how incentives are structured rather than the actual quantum of compensation. In other words we can be comfortable with large rewards provided that the incentives are aligned with shareholders’ interests and our principles. In the case for Walt Disney we do not believe that the company’s compensation policy is aligned with the long term best interests of the shareholders and have been engaging with the company on this matter over a number of years. Over the last few years we escalated our engagement relating to matters of remuneration. We wrote to the management outlining our reasons for voting against the resolutions concerning compensation at their 2020, 2021 and 2022 AGMs. We have engaged with the company on a number of occasions to share our views regarding compensation best practice and continue to believe that Disney could foster greater shareholder alignment through improved compensation structures.”

2. **UNILEVER**

   Date: 05/04/2022

   Resolution: Various Elections of Executive Members

   Vote: For

   “We continue our engagement with the management of Unilever and spoke to the Chair, Nils Andersen, in June. This follows two engagements earlier in the year, related to capital allocation (following news of the failed bid for GSK’s consumer healthcare division) and animal testing. In this instance, our engagement centred on the recent news of the appointment of activist investor, Nelson Peltz of Train Fund Management, to its board as a non-executive director, after his purchase of 1.5%

of Unilever's shares. As Trian's objectives are ostensibly in line with our own, we had no objection to the appointment despite being somewhat surprised at the low ticket-price to get a seat at the table. We did however take the opportunity to urge the board to resist any proposals that merely boost short-term value. Andersen confirmed that the board remain committed to their long-term strategy and are focussed on protecting the strategic value of Unilever's assets."

The following example demonstrates the engagement activities carried out by Lindsell Train:

ITO EN

"We are long standing investors in Japanese drinks company, Ito En. We are attracted to the characteristics of differentiated branded franchises and we particularly admire the healthy sugar free characteristics of Ito En's portfolio and its overall position in the Japanese soft drinks market. There is also the potential for Ito En to expand overseas especially in Asia where consumption of green tea, Ito En's staple, is already well entrenched. We have engaged with management in the past to encourage more ambitious expansion and to promote consolidation within the Japanese soft drinks market. We have also proactively engaged with the Ito En Board to encourage them to use their net cash to retire preference shares. During the first quarter we reignited our engagement efforts by raising these matters again with the President, Daisuke Honjo. With regards to the preference shares, the Board acknowledge the wide price difference between the preference and ordinary shares as a concern and they are considering their options, which include offering shares to employees as an incentive as well as a more aggressive share buyback program. Whilst this work is ongoing, we are comforted by the yield of the preference shares at 2.6% (compared to the ordinary dividend yield at 0.9%)."

UNILEVER

"We spoke to Nils Andersen (Chariman) and Richard Williams (IR) in February, following the news that Hein Pelz will be succeeding Alan Jope as CEO. It was explained that Hein had been identified several years ago as a possible candidate. Hein was appointed following Board interviews where he received unanimous support. His CV showcases his numerical capabilities (he has been a CFO), his sustainability credentials as well as strong leadership skills and a good knowledge of emerging markets (having run China for Heinz). It also helps that he is an external hire. In terms of Unilever's new strategy, this will be well supported by Hein who accomplished a similar strategy at his current employer. Nils reaffirmed that there are currently no plans to buy or sell any significant parts of the business and there is also unlikely to be any large cost-cutting program under Hein's leadership. The fact that he hails from the Netherlands does also not foreshadow any shift in focus."

Troy - voting and engagement activities

The following is based on the information that Troy 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.

"Troy Asset Management is a privately owned independent investment boutique focused on global and UK long-only equities and multi-asset strategies. Environmental, social and governance (ESG) factors are

integrated throughout our investment process. Our analysis of investee companies has led us to the inescapable conclusion that culture and stewardship are inextricably linked. As such, we recognise that it is important that we in turn provide our investors with an insight into our own culture and how it underpins our approach to stewardship.

Troy has a long-term investment horizon and as such takes its responsibilities as a steward of our investors' assets seriously. Monitoring of companies held on behalf of our investors is central to our rigorous research process and includes regular meetings with the management of investee companies. Whilst we are careful to select companies whose business strength and corporate governance policies mean they generally do not require intervention, we recognise that engagement is an important aspect of our role as an investment manager.

Engagement has the ability to enhance returns to shareholders by helping to align companies with shareholders, mitigating risks and exploiting opportunities. Engagement is also one of the few ways in which secondary equity market investors can deliver attributable impact.

We seek to influence management through engagement when we believe it is in the best interests of shareholders to do so. We will often aim to conduct such engagement proactively, to pre-empt an investee company's decision-making process, but we are also willing to engage reactively where a company has taken a course of action that conflicts with our standpoint. A variety of events might trigger a proposal to engage. These include a breach by the company of generally accepted business practice norms, an issue arising during our proxy voting process or an area flagged by our integrated ESG analysis.

We are members of the Investor Forum, a collective engagement platform in the UK. We speak with them at length to contribute our perspectives as well as conducting our own independent engagement with companies directly."

Troy Trojan Global Equity Fund

Troy were eligible to vote on 469 resolutions. Votes for: 84%, Against 16%, Abstained: 0%.

In response to our request to provide details of their most significant votes, Troy did not provide any examples.

The following example demonstrates the engagement activities carried out by Troy:

VISA INC

*"**Objective** - We recently engaged with Visa to encourage the enhancement of the company's climate strategy by setting a long-term net zero target supported by short and medium-term, science-based carbon reduction targets. This engagement began at the end of 2021 following a piece of climate scoping analysis that identified Visa as one of Troy's holdings without a public commitment to net zero.*

***Process** - When initiating this engagement, Troy set out to encourage Visa to set a long-term net zero target and ensure that their emissions reduction pathway was aligned with a net zero future. Troy had several further constructive dialogues with Visa over the company's climate strategy, in which we continued to encourage them to align their strategy with a net zero emissions goal by 2050 or* *sooner. During these dialogues, Visa presented a proactive approach to managing their environmental impact.*

Outcome *- In May 2022, our engagement with Visa successfully concluded as the company announced a net zero by 2040 goal and received validation from the Science-Based Targets initiative for its short and medium-term scope 1, 2 and 3 GHG reduction targets. Visa has committed to reduce absolute scope 1 and 2 GHG emissions by 50% by FY2030 from a FY2020 base year with a commitment to reduce absolute scope 3 GHG emissions by 42% within the same timeframe. Visa's climate strategy serves as exemplary as they actively engage with suppliers to identify areas for improvement and opportunities for partnership on emissions reduction, taking ownership of emissions across their value chain."*

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 1,014 resolutions. They voted on 96.8% of these. Votes for: 97%, Against 2%, Abstained: 1%.

"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, Partners Group did not provide any examples.

The following examples demonstrate the engagement activities carried out by Partners Group:

ROVENSA

"Rovensa is a leading provider of differentiated crop lifecycle management solutions with a portfolio of BioNutrition, BioControl and Crop Protection products based in Portugal and Spain. Health & Safety is a key focus area for Rovensa.

Due to the chemical nature of many of its products, ensuring they are used correctly and do not pose any health risks is critical to its business model. As such, Rovensa is committed to developing high-quality products that are safe for the environment, its customers, and human health in general. It is launching Safe Team At Rovensa (STAR), a program that aims to help employees feel protected and empowered to grow the safety culture within the firm.

Under Partners Group's ownership, Rovensa published its second annual Sustainability Report in 2022 and committed to becoming net zero by 2050, with established interim reduction targets consistent with limiting global warming to 1.5ºC compared to pre-industrial levels."

TECHEM

"As a leading service provider for green and smart buildings, our portfolio company Techem has a strong focus on energy efficiency and sustainable technologies. To support its sustainability agenda, it launched an internal Sustainability Office and a Sustainability Council, consisting of stewards (relevant department heads and experts for the further development of ESG issues) and delegates (managing directors of the national companies), who are responsible for embedding sustainability globally. The Sustainability Office serves to record current sustainability topics and developments, implement, and further develop Techem's Sustainability Strategy, collaborate with stakeholders to achieve the ESG goals anchored in Techem's sustainability program and report on sustainability, including improving ESG data management."

BNYM engagement activities

The following information is based on the responses BNYM have provided to our questions on voting and engagement and provides an explanation as to how they co-ordinate their voting and engagement activities with companies. Newton is a subsidiary of BNYM and the entity that manages the 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 Fund

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, for example:

> **VOLKSWAGEN**
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> *"We joined an investor call urgently convened by the company following a downgrade from MSCI, which now deems it to breach the UN Global Compact (UNGC). The downgrade was triggered in response to MSCI's evaluation methodology which considers the company to have exposure to China's Xinjiang region, leading to concerns of forced labour. The company very clearly articulated its disagreement with MSCI's decision, explaining that its exposure to this plant in question is through a joint venture rather than directly owned by the company. While the company is correct on this nuance, we found the company to be defensive towards investors and feel it failed to engage on the heart of this sensitive and complex subject. Its responses were extremely disappointing. We had a follow up meeting with the company following MSCI deeming*

it to be in breach of the UNGC. While we acknowledge the company's clarification that it has exposure to the plant in question via a joint venture, rather than direct ownership, we shared our view that this argument was technical in nature and appeared defensive. Instead, the company needs to better communicate its approach to supply chain audits and risk management, particularly in sensitive regions. Furthermore, while the company's exposure is via a joint venture, it still has accountability on expectations placed on the practices of its joint venture partner. Despite this follow up discussion, our concerns remain regarding how the company is properly managing this risk, particularly as it appears committed to continuing with the partnership, which is important for the company to be able to sell vehicles into this market. We do acknowledge the challenges of maintaining supply chains in this region and note that there is a lesser chance of this being a high risk exposure for the company given the skilled nature of the roles and the smaller size of the plant. Furthermore, the company does not use intermediaries to manage this risk better. We participated in a discussion with the company on its new green bond framework. We asked the company its reasons for updating its framework and whether it plans to issue other labelled bonds. In addition, we engaged with the company on the selection and governance of green projects."

M&G - engagement activities

The following is based on the information that M&G have provided in response to our questions and provides an illustration as to 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 Fund

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, for example:

> **INFORMA PLC**
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> *"**Objective** - To ensure that there is appropriate succession planning for Informa, British publishing, business intelligence, and exhibitions group*
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> ***Action taken** - M&G met with the Chairman and Head of IR Engagement Outcome: The board have regular and formal discussions on succession planning for the CEO and executives. There are no current plans for the CEO leaving, he is expected to stay in the business for the foreseeable future. Informa don't specifically use an external head-hunter to search for potential talent, if the CEO were to leave on a planned or unplanned basis they would have someone step into the role in the interim and they have someone in mind for the moment. Then, from here they would specifically evaluate the situation to see whether they needed to recruit externally for the role. They have had good stability in the leadership team for long time and the company reassured us that the team is not likely to change in the short term and that they have controls and measures in place to replace him if necessary."*

Columbia Threadneedle - engagement activities

The following is based on the information that CT have provided in response to our questions and provides an illustration as to how they co-ordinate their engagement activities with companies. These examples provide evidence that the Fund Manager is 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 CT 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

These funds contain investments that provide exposure to long dated interest rates / inflation. They do not hold any physical equity investments and are therefore not eligible to vote. However, CT does still engage with counterparty banks on relevant issues. They have provided the following examples:

> ***DEUTSCHE BANK AG***
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> *"Committed to decarbonize its credit and investment portfolios by 2050, or earlier, according to scientific scenarios and targets of the Paris Climate Agreement. Joining the Net-Zero Banking Alliance also shows clear climate leadership. We have engaged the company on their environmental and climate risk management practices for their lending portfolio in the past."*
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> ***BANCO SANTANDER SA***
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> *"Committed to achieve net-zero greenhouse gas financed emissions by 2050, and to align its power generation portfolio with the Paris Agreement by 2030. As part of this commitment, Santander will also develop and publish decarbonisation targets for other material sectors, including oil & gas, transport and mining & metals. The implementation of these commitments will enhance the bank's response to climate change risks in its lending, advisory and investment activities."*