

# The Pension Scheme for the Royal College of Midwives

## Engagement Policy Implementation Statement Financial Year Ending 31<sup>st</sup> March 2023

### Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles ('SIP') produced by the Trustees have been followed during the 1-year period ending on 31 March 2023. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018/2019 and the guidance published by the Pensions Regulator.

### Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. As set out in the SIP the Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

With that in mind, the Trustees have set specific investment objectives regarding the manner in which the primary objective of meeting their obligations to the members is to be achieved:

- To return the Scheme funding level to 100% of the projected past service liabilities and then to maintain this funding level;
- To provide suitable investment returns subject to the agreed level of risk, and by doing so, to minimise the level of contributions required of the employer; and
- To pay due regard to the interests of the sponsoring employer in relation to the funding of the Scheme.

### Investment Strategy

During the course of the financial year, the Trustees did not make any changes to the Scheme's investment strategy.

### Statement of Investment Principles

The Scheme's Statement of Investment Principles ("SIP") was updated in September 2020. The changes made to the Statement reflect new legislation around additional information on the Trustees policy in relation to arrangements with their investment Managers.

### Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme's SIP includes the Trustees' policy on ESG factors, Stewardship and Climate Change. The policies were last reviewed in September 2023. The Trustees keep its policies under regular review with the SIP subject to review at least triennially.

### Engagement

In the relevant year the Trustees have not engaged with either Mobius, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the Trustees review the stewardship and ESG policies of the Fund managers periodically.

### Voting Activity

The Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustees have not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) in which the Scheme's assets are ultimately invested.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's statement.

### Significant Votes

Based on the DWP's consultation response and outcome regarding Implementation Statements ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance"), on the 17<sup>th</sup> of June 2022, one of the areas of interest was the definition of a significant vote. A Statutory Guidance was put in place, updating what constitutes a "significant vote".

This update constituted that a significant vote is based on the Scheme's stewardship priorities/themes. In this instance, the Trustees are comfortable with aligning to the underlying managers' voting priorities. A vote could also be significant for other reasons, e.g. due to the size of the holding.

Below, a table that sets out a summary of the key voting activity over the financial year:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
Nordea 1 - GBP Diversified Return Fund	ISS - for execution and recommendations only.  NIS - for recommendations only.	Eligible for 2,391 (c.98.83 % cast)	c.8.72% of votes cast	c.1.65% of votes cast  (0.13% Abstain, 1.52% Withhold)	Significant votes are those that are severely against Nordea's principles, and where they feel the need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmark the proposals versus their policy.	<p>Vote example 1 Company: Johnson &amp; Johnson Date: 28/ 04/ 2022 Resolution: Report on government financial support and access to COVID-19 vaccines and therapeutics Vote: For Rationale: Nordea believed that a report on the impact of public funding on the company's pricing and access plans would allow shareholders to better assess the company's management of related risks. Outcome: The resolution did not pass.</p> <p>Vote example 2 Company: Microsoft Corporation Date: 13/ 12/ 2022 Resolution: Report on tax transparency. Vote: For Rationale: Nordea believed that this resolution would enhance the company's transparency in communicating its Tax Practices to investors. Outcome: The resolution did not pass.</p>
LGIM Global Equity Fixed Weights (50:50) Index Fund	ISS's 'ProxyExchange' electronic voting platform is used for voting execution  All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions	Eligible for 41,099 (c.99.84 % cast)	c.18.02% of votes cast	c.0.13% of votes cast	No specific definition has been given for a significant vote. LGIM takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance.	<p>Vote example 1 Company: Royal Dutch Shell Plc Date: 24/ 05/ 2022 Resolution: Approve the Shell Energy Transition Progress Upgrade Vote: Against Rationale: LGIM voted against, but with some reservations. Even though there is an acknowledgment of the progress made by the company, demonstrating a strong commitment towards a low carbon pathway, LGIM remains concerned of the disclosed plans for oil and gas production. Outcome: The resolution passed.</p>

Vote example 2  
Company: BP Plc  
Date: 12/05/2022  
Resolution: Approve Net Zero - From Ambition to Action Report  
Vote: For  
Rationale: LGIM voted "FOR", but with reservations. LGIM accepts that there are inherent challenges to the decarbonisation efforts of the Oil & Gas sector, however, it is expected for companies to set a credible transition strategy, consistent with the Paris resolution on Climate Change. It is recognised that the company has taken significant steps regarding a future Net Zero goal.  
Outcome: The resolution passed.

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**Notes:** ISS = Institutional Shareholder Services Inc.  
NIS = Nordic Investor Services