

# Royal College of Music Pension and Assurance Scheme

## Implementation Statement

### Year Ending 31 July 2023

#### Glossary

ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
LGIM	Legal & General Investment Management
Scheme	Royal College of Music Pension and Assurance Scheme
Scheme Year	1 August 2022 to 31 July 2023
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

#### Introduction

This Implementation Statement reports on the extent to which, over the Scheme Year, the Trustee has followed their policy relating to the exercise of rights (including voting rights) attaching to the Scheme’s investments. In addition, the Implementation Statement summarises the voting behaviour of the Scheme’s investment managers and includes details of the most significant votes cast and the use of the services of proxy voting advisers.

In preparing this statement, the Trustee has considered guidance from the Department for Work & Pensions which was updated on 17 June 2022.

## Relevant Investments

The Scheme's assets are invested in pooled funds and some of those funds include an allocation to equities. Where equities are held, the investment manager has the entitlement to vote.

At the end of the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- LGIM Diversified Fund
- LGIM UK Equity (5% Capped) Passive Fund
- LGIM World (ex UK) Equity Index Fund

## The Trustee's Policy Relating to the Exercise of Rights

### Summary of the Policy

The Trustee's policy in relation to the exercise of rights (including voting rights) attaching to the investments is set out in the SIP, and a summary is as follows:

- The Trustee is aware that its Investment Managers do engage with the companies in which they invest and is happy for them to do so on such basis as they deem appropriate to improve risk-adjusted returns.
- The Trustee believes the ability of the financial system to deliver attractive risk-adjusted investment returns depends on the sustainability of the underlying economic, social and environmental systems.
- The Trustee invests in pooled funds, the Trustee is not the legal owner of the individual stocks and shares held by those funds. The Trustee has no voting rights in relation to the underlying assets purchased by the Investment Managers but is notified on a regular basis of the policies followed by the Managers.
- The Trustee expects the Investment Managers to exercise their policy on voting rights in relation to the underlying assets purchased.
- The Trustee believes the Investment Managers should engage with companies to improve the sustainability of the investment, particularly with regard to environmental, social and governance risk factors.
- Trustee expects the Investment Managers to use derivatives, underwriting and stock lending only to facilitate investment or to hedge risk, rather than as a specific investment.
- The Trustee will seek advice on the capabilities of Investment Managers prior to any mandate being awarded. As the Trustee uses pooled funds, it considers, also, whether the fund under consideration is consistent with its policies, since it is unlikely to be able to influence the manager's approach. Before any new manager appointment, the Trustee will consider the manager's ESG engagement policies and

how the approach might maximise the risk-adjusted returns on the Scheme assets over the long term.

- The Trustee monitors the appointed Investment Managers' activity in conjunction with its advisers. The Trustee will review on a regular basis the investment performance of the Scheme's assets together with the continuing suitability of the Investment Managers.
- Before any new manager appointment, the Trustee will consider the manager's ESG engagement policies and how the approach might maximise the risk-adjusted returns on the Scheme assets over the long term.

### Has the Policy Been Followed During the Scheme Year?

The Trustee's opinion is that their policy relating to the exercise of rights (including voting rights) attaching to the investments has been followed during the Scheme Year. In reaching this conclusion, the following points were taken into consideration:

- There has been no change to the Trustee's belief regarding the importance of good stewardship.
- The Scheme's invested assets remained invested in pooled funds over the period.
- The Trustee did not select any new funds during the period.
- During the Scheme Year, the Trustees considered the voting records of the investment manager over the period ending 30 June 2022.
- Since the end of the Scheme Year, an updated analysis of the voting records of the investment manager based on the period ending 30 June 2023\* has been undertaken as part of the work required to prepare this Implementation Statement. A summary of the key findings from that analysis is provided below.
- The investment manager used by the Scheme is a UNPRI signatory.

*\*Note the voting analysis was over the year ending 30 June 2023 because this was the most recent data available at the time of preparing this statement. The Trustee are satisfied that the analysis provides a fair representation of the investment manager's voting approach over the Scheme Year.*

## The Investment Manager's Voting Record

A summary of the investment manager's voting record is shown in the table below.

Investment Manager	Number of votes	Split of votes:		
		For	Against / withheld	Did not vote/ abstained
LGIM	140,000	76%	24%	1%

### Notes

*Split of votes may not sum to 100% due to rounding.*

*These voting statistics are based on the manager's full voting record over the 12 months to 30 June 2023 rather than votes related solely to the funds held by the Scheme.*

## Use of Proxy Voting Advisers

Investment Manager	Who is their proxy voting adviser?	How is the proxy voting adviser used?
LGIM	ISS and IVIS	ISS and IVIS provide research and ISS administer votes. However, all voting is determined by guidelines set by LGIM.

## The Investment Manager's Voting Behaviour

The Trustee has reviewed the voting behaviour of the investment manager by considering the following:

- broad statistics of their voting record such as the percentage of votes cast for and against the recommendations of boards of directors (i.e. "with management" or "against management");
- the votes they cast in the year to 30 June 2023 on the most contested proposals in nine categories across the UK, the US and Europe;
- the investment manager's policies and statements on the subjects of stewardship, corporate governance and voting.

The Trustee has also compared the voting behaviour of the investment manager with their peers over the same period.

Further details of the approach adopted by the Trustee for assessing voting behaviour are provided in the Appendix.

The Trustee's key observations are set out below.

### Voting in Significant Votes

Based on information provided by the Trustee's Investment Adviser, the Trustee has identified significant votes in nine separate categories. The Trustee considers votes to be more significant if they are closely contested. i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply "waved through". In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the nine categories based on shares held by the Scheme's investment manager are listed in the Appendix. In addition, the Trustee considered the investment manager's overall voting record in significant votes (i.e. votes across all stocks not just the stocks held within the funds used by the Scheme).

### Analysis of Voting Behaviour

#### LGIM

LGIM's willingness to vote against directors is consistent with the broad range of policies covered within its corporate governance documentation; each policy provides criteria which can justify a vote against directors.

LGIM has supported shareholder proposals designed to tackle ESG issues and has held directors to account regarding their energy transition proposals (proposals setting out how greenhouse gas emissions will be reduced).

LGIM have also invested in Tumelo; a technology provider aiming to allow investors in pooled funds the ability to cast their own votes at shareholder meetings. The Trustee's Investment Adviser is currently exploring how this technology might enhance LGIM's stewardship offering and benefit our clients.

The Trustee has no concerns regarding LGIM's voting record.

## Conclusion

Based on the analysis undertaken, the Trustee has no material concerns regarding the voting records of LGIM

The Trustee will keep the voting actions of the investment LGIM under review.

*Jacqueline Woods*

Date: *5 December 2023*

Signed on behalf of the Trustee of the Royal College of Music Pension and Assurance Scheme

## Significant Votes

The table below records how the Scheme's investment manager voted in the most significant votes identified by the Trustee.

Company	Meeting Date	Proposal	Votes For (%)	Votes Against (%)	LGIM
<b>Audit &amp; Reporting</b>					
SCOTTISH AMERICAN INVESTMENT COMPANY PLC	06/04/2023	Re-appoint Ernst & Young LLP as Independent Auditor of the Company	49	50	For
TOPPS TILES PLC	18/01/2023	Appoint Mazars as the Auditors	63	37	For
VEOLIA ENVIRONNEMENT SA	27/04/2023	Appoint the Auditors	72	28	Against
INVESCO PERPETUAL UK SMALLER COMPANIES	08/06/2023	Re-appoint the auditor, Ernst & Young LLP	76	24	For
BLUEFIELD SOLAR INCOME FUND LIMITED	29/11/2022	Allow the Board to Determine the Auditor's Remuneration	78	22	Against
<b>Shareholder Capital &amp; Rights</b>					
HAMMERSON PLC	04/05/2023	Issue Shares with Pre-emption Rights	55	45	For
PLAYTECH PLC	24/05/2023	Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital	44	56	For
TOPPS TILES PLC	18/01/2023	Issue Shares with Pre-emption Rights	63	37	For
FERREXPO PLC	25/05/2023	Issue Shares with Pre-emption Rights	34	64	For
CNH INDUSTRIAL NV	14/04/2023	Issue Special Voting Shares	67	33	Against
<b>Pay &amp; Remuneration</b>					
WARNER BROS DISCOVERY INC	08/05/2023	Advisory Vote on Executive Compensation	51	49	Against
TRANSDIGM GROUP INCORPORATED	12/07/2022	Advisory Vote on Executive Compensation	51	48	Against
WELLTOWER INC	23/05/2023	Advisory Vote on Executive Compensation	52	48	Against
BIOGEN INC.	26/06/2023	Advisory Vote on Executive Compensation	52	48	Against
PEARSON PLC	28/04/2023	Approve Remuneration Policy	54	46	Against
<b>Constitution of Company, Board &amp; Advisers</b>					
DOMINO'S PIZZA GROUP PLC	04/05/2023	Elect Edward Jamieson - Executive Director	50	50	For
SAMPO OYJ	17/05/2023	Amend Articles: Virtual Meetings	52	48	Against
SIMON PROPERTY GROUP INC.	04/05/2023	Elect Reuben S. Leibowitz - Non-Executive Director	53	46	Against
CME GROUP INC.	04/05/2023	Elect Charles P. Carey - Non-Executive Director	55	45	Against
FLEETCOR TECHNOLOGIES INC	09/06/2023	Elect Thomas M. Hagerly	55	45	Against
<b>Merger, Acquisition, Sales &amp; Finance</b>					
BOUYGUES SA	27/04/2023	Approve Issuance of Debt Securities Giving Access to New Shares of Subsidiaries	73	27	Against
W.A.G PAYMENT SOLUTIONS PLC	11/05/2023	Approve Corporate Restructuring	77	23	Against
CALEDONIA INVESTMENTS PLC	27/07/2022	Waiver of mandatory offer provisions set out in Rule 9 of the Takeover Code	79	20	Against
LVMH (MOET HENNESSY - LOUIS VUITTON) SE	20/04/2023	Approve Issuance of Debt Securities Giving Access to New Shares of Debt Securities	80	19	Against
DELIVERY HERO SE	14/06/2023	Approve Issuance of Warrants/Bonds with Warrants Attached/Convertible Bonds without Preemptive Rights; Approve Creation of EUR 13.3 Million Pool of	82	17	Against
<b>Climate Related Resolutions</b>					
GLENORE PLC	26/05/2023	Approve the Company's 2022 Climate Report.	68	30	Against
UNITED UTILITIES GROUP PLC	22/07/2022	Approve Climate-Related Financial Disclosures	80	19	For
Shell plc	23/05/2023	Approve Shell's Energy Transition	77	19	Against
UBS GROUP AG	05/04/2023	Say on Climate	81	15	For
TOTALENERGIES SE	26/05/2023	Say on Climate	86	11	Against
<b>Other Company Resolutions</b>					
TOPPS TILES PLC	18/01/2023	Meeting Notification-related Proposal	63	37	For
INVESTEC PLC	04/08/2022	Investec plc: Approve Political Donations	70	29	For
BOUYGUES SA	27/04/2023	Approve the Board to Issue Equity Warrants Free of Charge During the Period of a	74	26	Against
STV GROUP PLC	27/04/2023	Approve Political Donations	70	25	For
QUILTER PLC	18/05/2023	Approve Political Donations	75	25	For
<b>Governance &amp; Other Shareholder Resolutions</b>					
WELLS FARGO & COMPANY	25/04/2023	Shareholder Resolution: Simple Majority Voting	50	49	For
SYNOPSIS INC	12/04/2023	Shareholder Resolution: Right to Call Special Meetings	50	50	For
MCDONALD'S CORPORATION	25/05/2023	Shareholder Resolution: Annual Report on Lobbying Activities	50	49	For
APPLIED MATERIALS INC	09/03/2023	Shareholder Resolution: Right to Call Special Meetings	50	50	For
THE MOSAIC COMPANY	25/05/2023	Shareholder Resolution: Right to Call Special Meetings	50	49	For
<b>Environmental &amp; Socially Focussed Shareholder Resolutions</b>					
STARBUCKS CORPORATION	23/03/2023	Shareholder Resolution: Assessment of Worker Rights	51	47	For
THE KROGER CO.	22/06/2023	Shareholder Resolution: Racial and Gender Pay Gaps	52	48	For
WELLS FARGO & COMPANY	25/04/2023	Shareholder Resolution: Annual Report on Prevention of	52	43	For
QUEST DIAGNOSTICS INCORPORATED	17/05/2023	Shareholder Resolution: Greenhouse Gas Reduction and Transition Plan	48	52	For
THE BOEING COMPANY	18/04/2023	Shareholder Resolution: Pay Equity Disclosure	47	52	For

### Note

Where the voting record has not been provided at the fund level, we rely on periodic information provided by investment managers to identify the stocks held. This means it is possible that some of the votes listed above may relate to companies that were not held within the Scheme's pooled funds at the date of the vote. Equally, it is possible that there are votes not included above which relate to companies that were held within the Scheme's pooled funds at the date of the vote.

## Methodology for Determining Significant Votes

The methodology used to identify significant votes for this statement uses an objective measure of significance: the extent to which a vote was contested - with the most Significant Votes being those which were most closely contested.

The Trustee believes that this is a good measure of significance because, firstly, a vote is likely to be contentious if it is finely balanced, and secondly, in voting on the Trustee's behalf in a finely balanced vote, an investment manager's action will have more bearing on the outcome.

If the analysis was to rely solely on identifying closely contested votes, there is a chance many votes would be on similar topics which would not help to assess an investment manager's entire voting record. Therefore, the assessment incorporates a thematic approach; splitting votes into nine separate categories and then identifying the most closely contested votes in each of those categories.

A consequence of this approach is that the total number of Significant Votes is large. This is helpful for assessing an investment manager's voting record in detail but it presents a challenge when summarising the Significant Votes in this statement. Therefore, for practical purposes, the table on the previous page only includes summary information on each of the Significant Votes.

The Trustee has not provided the following information which DWP's guidance suggests could be included in an Implementation Statement:

- Approximate size of the Scheme's holding in the company as at the date of the vote.
- If the vote was against management, whether this intention was communicated by the investment manager to the company ahead of the vote.
- An explanation of the rationale for the voting decision, particularly where: there was a vote against the board; there were votes against shareholder resolutions; a vote was withheld; or the vote was not in line with voting policy.
- Next steps, including whether the investment manager intends to escalate stewardship efforts.

The Trustee is satisfied that the approach used ensures that the analysis covers a broad range of themes and that this increases the likelihood of identifying concerns about an investment manager's voting behaviour. The Trustee has concluded that this approach provides a more informative assessment of an investment manager's overall voting approach than would be achieved by analysing a smaller number of votes in greater detail.