

ROYAL COLLEGE OF MUSIC PENSION AND ASSURANCE SCHEME

IMPLEMENTATION STATEMENT

Year to 31 July 2022

1 INTRODUCTION

The Trustee of the Royal College of Music Pension and Assurance Scheme (“the Scheme”) is responsible for investing the assets of the Scheme, having taken professional advice first. The principles that we have agreed will govern our investment are set out in our Statement of Investment Principles (“SIP”).

The purpose of this Implementation Statement is to:

- explain how the Trustee has followed its policies on the exercise of rights and engagement activities set out in the SIP during the year and
- describe the voting activity carried out in relation to the Trustee’s investment in company shares over the year.

2 HOW THE TRUSTEE HAS IMPLEMENTED ITS STEWARDSHIP AND ENGAGEMENT POLICIES DURING THE YEAR

Because it invests the Scheme’s assets in pooled funds, the Trustee has no voting rights in relation to the underlying assets purchased by the fund managers; it is the fund managers who hold the voting rights. Those fund managers used by the Scheme that have voting rights – currently Legal & General Investment Management (“LGIM”) and Newton Investment Management - have supplied a record of their voting behaviour over the year and this is summarised in section 3 of this statement below.

As the Trustee invests in pooled funds, it is not the legal owner of the individual stocks and shares held by those funds. Therefore, it is not in a position to engage with the boards of the investee companies. The Trustee is happy for its fund managers to so engage on such basis as they deem appropriate to improve risk-adjusted returns.

3 2021-22 VOTING RECORD

Some of the funds the Scheme invests in own shares in companies. As shareholders, the fund managers have the right to vote on motions proposed by company management and/or shareholders and the Trustee does not have any say in how the Investment Managers vote. The funds that hold shares are:

- the Legal & General UK Equity (5% capped) Passive Fund,
- the Legal & General World (ex UK) Equity Index Fund,
- the Legal & General Diversified Fund and
- the BNY Mellon Real Return Fund (managed by Newton Investment Management).

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Legal & General and Newton have supplied us with details of how they have exercised their voting rights over the year. They both use a proxy voting service to cast their votes but will not necessarily vote in accordance with the proxy's recommendations.

Investment Manager Name	LGIM	LGIM	LGIM	Newton
Fund Name	UK Equity (5% capped) Passive Fund	World (ex UK) Equity Index Fund	Diversified Fund	Real Return Fund
How many meetings were you eligible to vote at over the year?	767	3,018	9,490	85
How many resolutions were you eligible to vote on over the year?	10,789	36,028	97,430	1,385
What % of resolutions did you vote on for which you were eligible?	100.0%	99.8%	99.6%	100.0%
Of the resolutions on which you voted, what % did you vote against management?	6.2%	21.4%	21.8%	11.6%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser?	4.8%	15.0%	12.7%	10.0%

LGIM provided details of several hundred votes to the Trustee. The vast majority of these votes related to three general policies that were expressed, generally, through voting against the appointment or reappointment of members to the Company Board. These three LGIM policies are set out below, along with some examples of the Companies where they voted against Board appointments.

- I. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. LGIM believe these two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have been voting against all combined board chair/CEO roles. Furthermore, they have published a guide for boards on the separation of the roles of chair and CEO and they have reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.

Companies where LGIM voted against management under this policy include **BlackRock, Coca-Cola, Goldman Sachs Group, John Menzies and Pfizer.**

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- II. LGIM view gender diversity as a financially material issue for their clients, with implications for the assets they manage on clients' behalf. For over ten years they have been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, they expect companies in well-governed markets to have at least 30% women on their boards by 2023.

Companies where LGIM voted against resolutions under this policy include **Canon, Delta Air Lines, Garmin, JD Wetherspoon and Philip Morris International.**

- III. LGIM will vote against, or withhold a vote, on the election of Company Board Members, or on a proposed climate-change transition plan, where a company is deemed not to meet their minimum standards with regards to climate risk management and disclosure. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.

Companies where LGIM voted against resolutions under this policy include **Carrefour, Met Life, Match Group, Pinterest, Rio Tinto and UBS Group AG**, although LGIM did note significant progress by Rio Tinto over the year.

In respect of the Newton Real Return Fund, significant votes included:

- At **Alphabet** (the parent of **Google**), Newton voted for shareholder resolutions requiring greater disclosure of the company's lobbying payments, policy and climate lobbying, efforts to reduce water-related risk, third-party racial equity audit and risks doing business in countries with significant human rights concerns.
- Against the recommendations of **Microsoft's** management, Newton supported three shareholder resolutions which requested that the company publish reports on its gender and racial pay gaps, the effectiveness of its workplace sexual harassment policies and how its direct and indirect lobbying activities align with its corporate policies. However, Newton voted against a shareholder resolution asking the company to prohibit sales of facial recognition technology to all government entities. This proposal was deemed overly prescriptive in light of measures already being taken by the company.
- At **ConocoPhillips**, Newton supported a shareholder proposal requesting reporting on greenhouse gas targets and Scope 3 emissions across the value chain.
- Newton voted against the reappointment of the auditors at **ConocoPhillips, Medtronic and Microsoft**, owing to the firms' long tenure (between 39 and 74 years) which could compromise their independence.
- Newton also voted against executive compensation arrangements at **Bayer, Conoco Philips, Microsoft, Sanofi and TE Connectivity.**
- At **BioPharma Credit plc and Greencoat UK Wind plc**, Newton voted against proposals related to share issuance, as they believed the pricing would lead to significant dilution of value.

Further details of the managers' engagement policies may be found at:

- <https://www.lgim.com/uk/en/capabilities/corporate-governance/active-ownership/>
- [https://www.newtonim.com/uk-institutional/responsible-investment/#voting.](https://www.newtonim.com/uk-institutional/responsible-investment/#voting)