

Trustees' Report – Implementation Statement

Implementation Statement, covering 01/01/2022 to 31/12/2022

The Trustees of the Associated Board of the Royal Schools of Music Pension Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme year.

The Trustees have, in their opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustees took a number of steps to review the Scheme's existing managers and funds over the Scheme Year, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

In May and November, the Trustees reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers, along with LCP's red flags for any managers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2022. The Trustees were satisfied with the results of the review and no further action was taken.

Following training from LCP on the DWP's formal guidance on Stewardship in December 2022, the Trustees selected 'Board Effectiveness', 'Climate Change' and 'Diversity, Equity and Inclusion' as their 'stewardship priorities'. These priorities have been used by the Trustee to select votes that are deemed 'significant' for the Scheme for disclosure in this Implementation Statement. Looking forwards, from the start of 2023, these stewardship priorities will be used to focus the Trustees' oversight of their managers' voting and engagement policies and practices.

3. Description of voting behaviour during the Scheme Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance on the Scheme's funds that hold equities as follows:

- **Ruffer Absolute Return Fund**
- **Schroder Diversified Growth Fund**

Trustees' Report – Implementation Statement (continued)

3. Description of voting behaviour during the year (continued)

In addition to the above, the Trustees contacted the Scheme's other asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. Commentary provided from these managers is set out in Section 3.4.

3.1 Description of the voting processes

Schroders

Schroders evaluates voting issues arising at its investee companies and votes on them in line with its fiduciary responsibilities in what it deems to be the interests of its clients. Schroders utilises company engagement, internal research, investor views and governance expertise to aid with their voting decisions.

Schroders receives research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) ahead of general meetings, however this is only one component that feeds into its voting decisions. Schroders' voting decisions will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

Schroders also stresses that its own research contributes to its final voting decision; this is conducted by both the financial and ESG analysts. For contentious issues, Schroders' corporate governance specialists communicate with the relevant analysts and portfolio managers to seek their view and better understand the specific context. Schroders also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders.

Schroders continues to review its voting practices and policies during ongoing dialogue with portfolio managers.

Ruffer

It is Ruffer's policy to vote on Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) resolutions, including shareholder resolutions, as well as corporate actions. Ruffer aims to vote on the vast majority of its holdings but retains discretion to not vote in situations where Ruffer deems it is not in its clients' best interests (such as in markets where share blocking applies). Ruffer votes on its total shareholding of the companies held within the Absolute Return Fund.

To apply this policy, Ruffer works with various industry standards, organisations and initiatives and actively participate in debates within the industry. For example, Ruffer are signatories to the Principles for Responsible Investment (PRI), participate in several working groups at the Investment Association and has committed to Climate Action 100+.

Ruffer's proxy voting advisor is Institutional Shareholder Services (ISS). Ruffer has developed its own internal voting guidelines, however it considers issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer is aware of proxy advisers' voting recommendations, Ruffer does not delegate or outsource their stewardship activities when deciding how to vote on its clients' shares.

Each research analyst, supported by Ruffer's responsible investment team, reviews the relevant issues on a case-by-case basis and exercises their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer.

Trustees' Report – Implementation Statement (continued)

3.1 Description of the voting processes (continued)

Ruffer (continued)

As discussed above, Ruffer does use ISS as an input into its decisions. In the 12 months to 31 December 2022, of the votes in relation to holdings in the Ruffer Absolute Return Fund, Ruffer voted against the recommendation of ISS over 6.5% of the time.

3.2 Summary of voting behaviour over the year

A summary of voting behaviour over the Scheme Year is provided in the table below.

	Ruffer LLP	Schroders
Fund name	Ruffer Absolute Return Fund	Schroders Diversified Growth Fund
Total size of fund at end of the Scheme Year	£4,243m	£2,487m
Value of Scheme assets at end of the Scheme Year (£ of total assets)	£11.2m	£9.3m
Number of equity holdings at end of the Scheme Year	43	965
Number of meetings eligible to vote	83	1,216
Number of resolutions eligible to vote	1,456	15,081
% of resolutions voted	100.0%	95.7%
Of the resolutions on which voted, % voted with management	94.3%	89.9%
Of the resolutions on which voted, % voted against management	5.6%	10.1%
Of the resolutions on which voted, % abstained/withheld from voting	0.1%	0.6%
Of the meetings in which the manager voted, % with at least one vote against management	47.0%	51.1%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	6.5%	2.6%

Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year with respect to the Ruffer Absolute Return Fund and Schroder Diversified Growth Fund is set out below. We have selected the subset of the reported significant votes for this report based on the extent of alignment with the Trustees' agreed stewardship priorities.

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3.3 Most significant votes over the Scheme Year (continued)

Ruffer Absolute Return Fund

Ruffer has provided a list of votes it deems significant based on what it thinks will be of particular interest to its clients. In most cases, these are when the votes form part of continuing engagement with the company and/or Ruffer has held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and its internal voting guidelines.

- **Aena, Spain, March 2022. Vote:** Against. **Outcome of the vote:** For

Summary of resolution: Governance – board structure & independence/effectiveness. Vote on election of CEO/Chairman

Rationale: ISS recommended that Ruffer voted against the CEO/Chairman's re-election as Aena had not split out the CEO and Chairman roles and did not have any plan to do so going forwards. The company's bylaws currently dictate a single person should be both CEO & Chairman. To change this bylaw they would need an AGM vote and super-majority approval of the board. Ruffer felt that this wasn't a high bar to enact change and the company has had pressure from minority shareholders to split the roles. However, the majority shareholder (the Spanish State) had not shown interest in supporting the change. Ruffer spoke with Aena's management about its intentions to vote against the CEO and Chairman which applies pressure on the Spanish State to look at separating the roles.

Ruffer's rationale to consider the vote as "significant": Votes against the election of directors for material holdings are considered significant.

Relevant stewardship priority: *Board effectiveness*

- **Barclays Plc, United Kingdom May 2022. Vote:** For. **Outcome of the vote:** For

Summary of resolution: Approve Barclays' Climate Strategy, Targets and Progress 2022

Rationale: Ruffer have met with Barclays several times over the last 18 months with respect to their climate strategy, existing targets, data analysis and the plans for setting new targets on a number of new sectors. Barclays' new progress reports make commitments, targets and hurdles to be achieved as part of its membership of the Net- Zero Banking Alliance which has a headline 2050 target. Ruffer assessed the progress made in the context of its discussions with the company and whilst there are certain elements (phase out of thermal coal financing; financing unconventional oil and gas, amongst others) which remain unsatisfactory, Ruffer believed the overall policy, new targets and tracking warranted voting in favour of the resolution. Ruffer are going to continue its engagement with the company on this topic.

Ruffer's rationale to consider the vote as "significant": Ruffer believes this vote will be of particular interest to its clients. The management resolutions aimed to increase the transparency of the company's climate transition planning and outcomes.

Relevant stewardship priority: *Climate change*

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3.3 Most significant votes over the year (continued)

Ruffer Absolute Return Fund (continued)

- **Cigna Corporation, United States, April 2022. Vote:** Against. **Outcome of the vote:** Against

Summary of resolution: Social – Report on Gender Pay Gap

Rationale: Cigna uses an "equal pay for equal work" statistic and reports that there are no material differences in pay data related to gender or race. Although the equal pay for equal work statistic is subjective in that it allows the company to define what it considers an "equal job," the company does report its gender representation statistics and it additionally set a parity goal for leadership positions. As such, Ruffer believes that shareholders have enough information to assess how effectively company practices are working to eliminate discrimination in pay and opportunity in its workforce. Therefore, Ruffer believes that support for this resolution is not warranted at this time.

Ruffer's rationale to consider the vote as "significant": Ruffer believes this vote will be of particular interest to our clients. Ruffer supports management in their effort to provide accurate and transparent information on Gender Pay Gaps.

Relevant stewardship priority: *Diversity Equity and Inclusion*

Schroder Diversified Growth Fund

Schroders has provided a list of the votes it deems significant based on what it thinks will be of particular interest to its clients and / or resolutions where it voted against management.

- **Royal Bank of Canada, Canada, April 2022. Vote:** For. **Outcome of the vote:** Against

Summary of resolution: Adopt an Annual Advisory Vote Policy on the bank's environmental and climate change action plan and objectives

Rationale: Schroder welcomes additional mechanisms for shareholders to hold the board accountable for its management of climate risk and contribution to the transition to a low carbon economy.

Schroder's rationale to consider the vote as "significant": Schroder believes this vote is significant as it was a vote against management on an ESG related resolution.

Relevant stewardship priority: *Climate change*

- **Tractor Supply Company, United States, April 2022. Vote:** For. **Outcome of the vote:** Against

Summary of resolution: Report on costs of low wages and inequality and impact on diversified shareholders

Rationale: Schroder believes that additional disclosure of employee wages would allow shareholders to better assess current practices, and the risks they may have on inequality and racial and gender disparities.

Schroder's rationale to consider the vote as "significant": Schroder believes this vote is significant as it was a vote against management on an ESG related resolution.

Relevant stewardship priority: *Diversity Equity and Inclusion*

Trustees' Report – Implementation Statement (continued)

3.3 Most significant votes over the year (continued)

Schroder Diversified Growth Fund (continued)

- **Amazon.com Inc., United States, May 2022. Vote:** For. **Outcome of the vote:** Against.

Summary of resolution: Adopt a policy to include non-management employees as prospective director candidates

Rationale: Schroder believes that including employees as possible candidates for board seats may add depth to the director selection process.

Schroder's rationale to consider the vote as "significant": Schroder believes this vote is significant as it was a vote against management on an ESG related resolution.

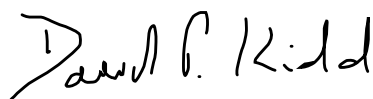
Relevant stewardship priority: *Board effectiveness.*

3.4 Votes in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who do not hold listed equities, but invest in assets that had voting opportunities during the Scheme Year:

- Schroder's **All Maturities Corporate Bond Fund:** *Schroders have confirmed that they were not able to supply voting information for this fund.*

Signed: _____



Date: _____

15 May 2023

On behalf of the Trustees of The Associated Board of the Royal Schools of Music Pension Scheme