Implementation Statement, covering the Scheme Year from 6 April 2022 to 5 April 2023

The Trustee of the Royal Opera House Pension Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its 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.

In preparing the Statement, the Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The voting and engagement policies were previously reviewed and updated in February 2020. However, post Scheme Year end, the Trustee updated the SIP to reflect the following changes:

- Updates to the Scheme's investment strategy agreed in June 2023;
- Update to its policies on monitoring and engaging with the investment managers to reflect the DWP's new guidance on Reporting on Stewardship; and
- The Scheme's stewardship priorities as agreed by the Trustee.

A link to the latest version of the SIP can be found online.

The Trustee has, in its opinion, followed the voting and engagement policies in the SIP during the Scheme Year.

2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with managers as detailed below.

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. LCP provides regular updates on the Scheme's investment managers in its quarterly investment reports, including any significant changes to the managers' voting and engagement policies. From time to time, the Trustee will undertake a more comprehensive review of managers' voting and engagement practices.

During the Scheme year, the Trustee appointed several new managers including JP Morgan (infrastructure), M&G (long-lease property) and Aegon (asset-backed securities). As part of the selection for these mandates, the Trustee considered the managers' Responsible Investment credentials, including their voting and engagement policies.

Following the introduction of DWP's guidance, the Trustee received training and agreed to set Stewardship priorities to focus engagement with the Scheme's investment managers on specific ESG factors. The Trustee discussed the Stewardship priorities for the Scheme at its July 2023 Trustee meeting and will report on them in the next Implementation Statement. The Trustee agreed to the following Stewardship priorities for the Scheme: Biodiversity Loss; Diversity, Equity & Inclusion; and Business Ethics.

The Trustee is conscious that Responsible Investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has 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, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that held equities for a majority of the Scheme year, which were as follows:

- Baillie Gifford Multi Asset Growth Fund; and
- Schroders Equity portfolio.

The Trustee has sought to obtain the relevant voting data and commentary from these managers, This is set out in sections 3.1 to 3.3 below.

In addition, the Trustee 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 period. This only applied to one manager, M&G, over the period and commentary provided from M&G is set out in section 3.4.

3.1 Description of the voting processes

Since the Trustee is invested in pooled funds it cannot directly influence how the managers of those pooled funds exercise their voting rights. However, the Scheme's investment adviser assesses all managers' stewardship processes, including voting and engagement, and these are reflected in the assessment of those managers and communicated to the Trustee as appropriate.

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

Baillie Gifford

All voting decisions are made by Baillie Gifford's ESG team in conjunction with investment managers. Baillie Gifford does not regularly engage with pooled fund clients (such as the Scheme) prior to submitting votes; however, if a segregated client has a specific view on a vote, then it will engage with them on this.

Baillie Gifford believes that voting should be investment led, because how it votes is an important part of the long-term investment process, which is why its strong preference is to be given this responsibility by clients. Its ESG team oversees Baillie Gifford's voting analysis and execution in conjunction with the investment managers. Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers and utilises research from proxy advisors for information only.

Whilst Baillie Gifford is cognisant of proxy advisers' voting recommendations (Institutional Shareholder Services and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote clients' shares. All client voting decisions are made in-house. Baillie Gifford votes in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford does make use of specialist proxy advisors in the Chinese and Indian markets in order to gather more nuanced market specific information.

Schroders

The corporate governance analysts at Schroders input votes based on their proprietary research in line with Schroders' house voting policy and do not take voting instruction from their clients.

As active owners, Schroders recognises its responsibility to make considered use of voting rights. It therefore votes on all resolutions at all AGMs/EGMs globally unless restricted from doing so (eg as a result of share blocking).

It aims to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with the firm's published ESG policy.

The overriding principle governing Schroders' voting is to act in the best interests of its clients. Where proposals are not consistent with the interests of shareholders and clients, it is not afraid to vote against resolutions.

Schroders may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

Schroders evaluates voting resolutions arising at investee companies and, where it has the authority to do so, votes on them in line with its fiduciary responsibilities in what it deems to be the interests of clients. Schroders' Corporate Governance specialists assess each proposal, applying its voting policy and guidelines (as outlined in their ESG Policy) to each agenda item. In applying the policy, Schroders considers a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Schroders' specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Its own research is also integral to the process; this will be conducted by both financial and Sustainable Investment analysts. For contentious issues, Schroders' Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

ISS act as its one service provider for the processing of all proxy votes in all markets. ISS deliver vote processing through their Internet-based platform Proxy Exchange. Schroder's receives ISS' research on resolutions. This is complemented with analysis by Schroders in-house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. For Schroders' smallest holdings in the US, Hong Kong, Japan, Australia and New Zealand, ISS implements a custom Schroders voting policy, with only a few resolutions referred to Schroders for a final decision.

ISS automatically vote all Schroders' holdings where it owns less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in voting decisions as well as creating a more formalised approach to its voting process.

3.2 Summary of voting behaviour

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

	Baillie Gifford	Schroders
Fund name	Multi Asset Growth Fund	Equity portfolio
Total size of fund at end of the Scheme Year	£1,025m	£2,156m
Value of Scheme assets at end of the Scheme Year	-[1]	£8.4m
Number of equity holdings at end of the Scheme Year	41	452
Number of meetings eligible to vote	84	519
Number of resolutions eligible to vote	885	7,015
% of resolutions voted	97.1	88.6
Of the resolutions on which voted, % voted with management	95.2	86.9
Of the resolutions on which voted, % voted against management	3.6	13.1
Of the resolutions on which voted, % abstained from voting	1.2	0.1
Of the meetings in which the manager voted, % with at least one vote against management	23.8	Not provided[3]
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/A[2]	Not provided[3]

Figures may not sum due to rounding.

1. *The Scheme fully disinvested from the Baillie Gifford Multi Asset Growth Fund in January 2023; the value of the Scheme's investment in the fund at the time was £3.3m.*
2. *All client voting decisions are made in-house and Baillie Gifford votes in line with its in-house policy, not with the proxy voting providers' policies.*
3. *Schroders was unable to provide this data. The Trustee will continue to work with its advisers with the aim of providing this voting information in future Statements.*

Schroders provided the voting data for the underlying pooled equity funds that the Scheme is invested in, from which the above voting behaviour statistics have been calculated.

3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below. The investment managers provided multiple examples of their voting records over the year, of which three examples have been included for each investment manager. We note that Schroders was unable to provide all of the requested information regarding the significant votes.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria for creating this shortlist.

Where possible, the Trustee has selected examples of significant votes that align with its stewardship priorities or that may have the most significant financial impact for the Scheme (based on size of holding). On this basis, the Trustee has selected a subset of the votes reported on by the managers for inclusion in this Statement. If members wish to obtain more investment manager voting information, this is available upon request.

Baillie Gifford - Multi Asset Growth Fund

Duke Realty Corporation, September 2022

- **Summary of resolution:** Proposal to approve executive compensation to be paid in connection with the company merger.
- **Relevant stewardship priority:** Business ethics.
- **Approx size of the holding at the date of the vote:** 1.71%
- **Firm management recommendation:** For.
- **Fund manager vote:** Against.
- **Rationale:** While Baillie Gifford was supportive of the proposed merger with Prologis, Baillie Gifford had concerns regarding single trigger provisions and the introduction of excise tax gross-ups (ie the addition of tax due to any net amount) in connection with severance payments. In addition, Baillie Gifford was uncomfortable with the compensation arrangements planned for Duke Realty NEOs in connection with the merger and therefore opposed this resolution, which ultimately received 91.6% dissent from shareholders.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome of the vote and next steps**: The resolution did not pass. Baillie Gifford unsuccessfully attempted to engage the company on its approach to compensation at this year's AGM and will continue its efforts to do so going forward.

Greggs PLC, May 2022

- **Summary of resolution:** Remuneration report.
- **Relevant stewardship priority:** Business ethics.
- **Approx size of the holding at the date of the vote:** 0.25%
- **Firm management recommendation:** For.
- **Fund manager vote:** Against.
- **Rationale:** Baillie Gifford voted against the remuneration report due to concerns over executive pay increases and misalignment of pension rates.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome of the vote and next steps**: The resolution was passed. Following casting a vote, Baillie Gifford contacted the Company to provide reasons for its opposition on the remuneration report and ask for clarification on pay setting for the CEO. The Company acknowledged Baillie Gifford's feedback on pensions and pay increases for executives and explained how the new CEO's salary was set.

Lyft, Inc., June 2022

- **Summary of resolution:** Lobbying activities related to Lyft.
- **Relevant stewardship priority:** Business ethics.
- **Approx size of the holding at the date of the vote:** 0.04%
- **Firm management recommendation:** Against.

- **Fund manager vote:** For.
- **Rationale:** Baillie Gifford supported a shareholder proposal requesting further reporting on lobbying activities as its view was that the company can make further improvements in this area.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome of the vote and next steps**: The resolution did not pass. In response to the high level of support last year, Lyft has updated its policy on lobbying to add information on board oversight, management governance and a brief trade association policy but it does not meet the oversight and disclosure standard set out by the proponents since it does not provide any information on lobbying expenditures, a list of all trade association memberships and dues or lobbying expenditures made by those associations using Lyft funds. Therefore, Baillie Gifford believe Lyft can go further with disclosures.

Schroders – Equity portfolio

Credit Suisse Group AG, April 2022.

- **Summary of resolution:** Approve the discharge of board and senior management for fiscal year 2021, excluding the supply chain finance matter.
- **Relevant stewardship priority:** Business ethics.
- **Firm management recommendation:** For.
- **Fund manager vote:** Against.
- **Rationale:** A range of risk and control issues revealed by investigations and settlements, which have entailed substantial monetary and reputational costs for the company, and by extension its shareholders.

Rio Tinto Limited, May 2022

- **Summary of resolution:** Elect Sam Laidlaw as Director
- **Relevant stewardship priority:** Diversity, Equity and Inclusion
- **Firm management recommendation:** For.
- **Fund manager vote:** Against.
- **Rationale:** Schroders had concerns about culture, diversity and inclusion and climate progress.

Fletcher Building Limited, October 2022

- **Summary of resolution:** Elect Peter Crowley as Director
- **Relevant stewardship priority:** Diversity, Equity and Inclusion
- **Firm management recommendation:** For.
- **Fund manager vote:** Against.
- **Rationale:** Schroders voted against the resolution due to there being less than 33% of female directors on the board.

3.4 Votes in relation to assets other than listed equity

The following comments were provided by one of the Scheme's asset managers, M&G, who does not hold listed equities but invests in assets that had engagement opportunities during the Scheme Year:

M&G – Alpha Opportunities Fund

M&G published the Voting Policy on its website and the policy is regularly reviewed in consultation with the investment teams. M&G uses the ISS voting platform to vote and has built, with ISS, a custom voting service that reflects its public voting policy. M&G uses research from ISS to highlight any contentious issues that it is not aware of from previous consultations with investee companies. Before deciding to abstain or vote against a resolution, M&G will discuss straightforward issues within the Stewardship and Sustainability team or involve the relevant fund managers for more contentious issues, allowing them to make the ultimate decision.

Arcelormittal, May 2022

- **Summary:** Environmental – to commit a short-term carbon reduction target, such as to 2025.
- **Outcome:** M&G met with the CFO and head of RI in person. M&G previously engaged to encourage the company to report on Scope 3 targets, but specifically wanted to add short term Scope 1 and 2 targets to the agenda. ArcelorMittal has committed to clear carbon reduction targets by 2030, committed to become carbon neutral by 2050, its SBTi (Science Based Target initiative) has been produced and the company is TCFD aligned. While Arcelormittal has a capex budget of $10bn for the 2030 target, this won’t meaningfully reduce emissions until 2028 at the earliest, which is a common issue for steelmakers. The firm also notes that some projects are slow moving due to agreement on funding in the EU between member states and Brussels. Hence, a 2025 reduction target seems a bit unrealistic at this stage.

Informa Plc, May 2022

- **Summary:** M&G had a call with the incoming Remuneration Chair and followed up with the AGM vote.
- **Outcome**: Given the significant shareholder dissent levels Informa have experienced over recent years, the Board has committed to change the Remuneration Chair. The proposed policy was far more sensible that previous policies, and hence M&G supported the updated policy and the new Remco Chair in her re-election. During the year the performance measures of the in-flight LTIP awards were amended. This decision was made by the outgoing Remco Chair. As a result, M&G voted against the remuneration report (backward looking) along with 71% of other shareholders and voted against the outgoing Remco Chair. The Remco chair withdrew his re-election bid to the Board prior to the AGM.

NewRiver REIT Plc, January 2023

- **Summary:** M&G sent a letter to the company to encourage it to improve diversity and inclusion practices throughout the organisation by increasing board gender diversity and setting and disclosing diversity targets throughout the workforce.
- **Outcome**: NewRiver REIT is a very small company with only 50 employees and a very low turnover rate – over 75% of staff have been there for 5 years. This makes setting diversity targets difficult as the firm does not frequently employ new people due to its size. The company board is currently 29% female, with 40% female representation on the executive committee and 49% in the wider workforce. The company is not planning to expand the board at the moment but when it does, diversity is something it will actively consider. In the meantime, the firm has run a well-received staff survey and enhanced its parental leave provisions to enable women to stay in the workforce after having children. M&G is pleased with the progress that NewRiver is making as such a small company, and will continue to monitor their situation