

Implementation Statement, covering 6 April 2019 to 5 April 2020

The Trustee of the Royal Opera House Pension Scheme (the “Scheme”) is required to produce a yearly Statement setting 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 year. This is provided in Section 1 below.

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

1. Introduction – Last review of the voting and engagement policies

The voting and engagement policies in the SIP were most recently reviewed and updated in August 2019 to reflect regulatory changes and the Trustee’s views on these matters. Further detail and the reasons for these changes are set out in Section 2. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

2. Voting and engagement

The August 2019 update of the Scheme’s SIP took account of the Trustee’s policy on financially material considerations, non-financial factors and engagement activities, with the amendments made to reflect the Trustee’s approach to the regulatory changes that came into force with effect from 1 October 2019.

As a key element of its advice on the selection and review of investment managers, the Scheme’s investment adviser, LCP, incorporates into its investment manager rankings, an assessment of the nature and effectiveness of managers’ approaches to Responsible Investment (RI), including voting and engagement.

Therefore, as part of this ongoing process, in March 2020, LCP presented to the Trustee its latest assessment of the RI scores for the Scheme’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund and “red flags” for any managers of concern. These scores cover the approach to RI specifically covering Environmental, Social and Governance 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 provided were based on LCP’s Responsible Investment Survey 2020.

Following consideration of the scores and after discussion, the Trustee was satisfied with the results of the review and no action was deemed necessary.

3. Description of voting behaviour during the year

All of the Trustee’s holdings in listed equities are held via pooled funds and as part of its RI policy 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 year.

In this Section we have sought to include voting data on the Scheme’s funds that hold equities as follows:

- Baillie Gifford Multi Asset Growth Fund
- GMO Global Real Return Fund
- Schroders Equity Portfolio

The Trustee has sought to obtain the relevant voting data from all of the investment managers listed above. However, it has been unable to include commentary on the most significant votes for the GMO Global Real Return Fund, as GMO was unable to identify those votes it classified as most significant over the year.

The Trustee will continue to work with its advisers and investment managers with the aim of providing fuller voting information in future implementation Statements.

In addition to the above, 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. Commentary provided from these managers is set out in Section 3.4.

3.1 Description of the voting processes

Baillie Gifford

All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with investment managers. Baillie Gifford does not regularly engage with clients 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's strong preference is to be given the responsibility to vote on behalf of its clients. The Governance and Sustainability team oversees voting analysis and execution in conjunction with the investment managers. Baillie Gifford endeavours to vote every one of its clients' holdings in all markets.

Whilst Baillie Gifford is cognisant of proxy advisers' voting recommendations (ISS 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.

GMO

Where clients invest with GMO via pooled funds, GMO does not consult with clients prior to voting on the underlying securities. GMO has appointed Institutional Shareholder Services Group, Inc ("ISS") to vote by proxy on its behalf in accordance with the following guidelines:

- research and make voting recommendations or, for matters for which GMO has so delegated, to make the voting determinations;
- ensure that proxies are voted and submitted in a timely manner;
- handle other administrative functions of proxy voting;
- maintain records of proxy statements received in connection with proxy votes and provide copies of such proxy statements promptly upon request;
- maintain records of votes cast; and
- provide recommendations with respect to proxy voting matters in general.

There may be circumstances under which a portfolio manager or other GMO investment professional believes that it is in the best interest of a client or clients to vote proxies in a manner inconsistent with the above proxy voting guidelines. In such an event, that individual will inform GMO's Corporate Actions Group of their decision to vote such proxy in a manner inconsistent with the proxy voting guidelines.

Schroders

Schroders' preference is for clients to give it voting discretion. Clients with segregated mandates may elect to retain all or some discretion in relation to voting, engagement and/or corporate governance issues. In these cases, Schroders suggests such clients use an external voting service to vote their interests. Schroders normally hopes to support company management; however, it will withhold support or oppose management if it believes that it is in the best interests of clients to do so.

Schroders' Corporate Governance specialists assess resolutions, applying the voting policy and guidelines to each agenda item. These specialists draw on external research, such as the Investment Association's Institutional Voting Information Services, the Institutional Shareholder Services (ISS), and public reporting. Schroders' own research is also integral to its process and this will be conducted by both investment and Sustainable Investment analysts. Corporate Governance specialists will consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context. The final decision will reflect what investors and Corporate Governance specialists believe to be in the best long-term interest of their client.

It is Schroders' policy to vote all shares at all meetings globally, except where there are restrictions that make it onerous or expensive to vote compared with the benefits of doing so. In these cases, Schroders will generally not vote. Schroders uses a third-party service to process all proxy voting instructions electronically and regularly reviews its arrangements with these providers and benchmark them against peers.

3.2 Summary of voting behaviour over the year

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

| | Fund / Portfolio 1 | Fund / Portfolio 2 | Fund / Portfolio 3 |
|--|-------------------------|-------------------------|--------------------|
| Manager name | Baillie Gifford | GMO | Schroders |
| Fund name | Multi Asset Growth Fund | Global Real Return Fund | Equity portfolio |
| Approximate value of Scheme assets | £6.4m | £6.2m | £20.4m |
| Average number of holdings | 229 | 1,646 | 492* |
| Number of meetings eligible to vote | 62 | 1,876 | 510 |
| Number of resolutions eligible to vote | 677 | 19,118 | 6,819 |
| % of resolutions voted | 94.39 | 98.00 | 98.87 |
| % of resolutions voted with management | 92.02 | 91.54 | 92.14 |
| % of resolutions voted against management | 5.95 | 7.57 | 7.86 |
| % of resolutions abstained | 2.03 | 0.89 | 0.07 |
| % of meetings with at least one vote against management | 30.65 | 36.94 | 43.53 |

*Schroders was only able to provide the number of equity holdings as at 31 March 2020. Baillie Gifford and Schroders holdings are as at the Scheme's year end, 5 April 2020.

Schroders provided the raw voting data for the equity funds that the Scheme is invested in, from which we calculated the above voting behaviour statistics.

3.3 Most significant votes over the year

Commentary on the most significant votes over the period is set out below. The investment managers provided multiple examples of their most significant votes over the year, of which we have included three examples for each investment manager.

Baillie Gifford Multi Asset Growth Fund

- **Hammerson, April 2019**

Baillie Gifford opposed the proposal to issue up to two-thirds of share capital as it did not believe it to be in its clients' best interests. 30% of shareholders opposed this resolution, which Baillie Gifford believed was a clear signal to the company to consider its policy in this area. Baillie Gifford's preference would be for Hammerson to focus on reducing debt, rather than issuing additional equity. Baillie Gifford has continued dialogue with the company on this issue. This resolution was significant because it received greater than 20% opposition. The outcome of the vote was that the resolution was passed.

- **Vastned Retail, April 2019**

Baillie Gifford opposed two resolutions which sought authority to issue equity because no price assurance was given. This resolution failed at the meeting due to 55% of shareholders opposing the request. This meant that the company did not have authority to issue equity at requested level, which Baillie Gifford

viewed as a positive outcome. In Baillie Gifford's view, the vote against this resolution was significant because it received greater than 20% opposition.

- **ADO Properties, June 2019**

Baillie Gifford opposed the election of a non-independent director due to concerns around board independence. Baillie Gifford believed the composition of the Board gave ADO Group and certain of its shareholders excessive influence and control. As such, it opposed the election of a non-independent director, advised the company of the decision and requested that the company increase the independence of the board going forward. This resolution was significant because Billie Gifford was opposing the election of a director. The outcome of the vote was that the resolution was passed.

Schroders Equity Portfolio

- **Discover Financial Services, June 2019**

Schroders voted for a reduced ownership threshold for shareholders to call special meetings. Schroders considered the vote significant since it voted against management. The outcome of the vote was that the resolution was passed.

- **Mednax, Inc., May 2019**

Schroders voted against the compensation award proposed for the company's executive officers. Schroders noted that the CEO was to receive a substantial increase in his target long term incentive award value, which was not supported by correspondingly strong company performance. Schroders considered the vote significant since it voted against management. The outcome of the vote was that the resolution was not passed.

- **Toyota Industries Corp., June 2019**

Schroders opposed the appointment of the nominated statutory auditor as it believed that the purportedly external statutory auditor nominee's affiliation with the company could have compromised its independence. Again, Schroders considered the vote significant since it voted against management. The outcome of the vote was that the resolution was passed.

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 period:

M&G – Alpha Opportunities Fund

The policy for M&G's Alpha Opportunities Fund is to not consult fund investors before voting. Voting is decided by the relevant credit analyst, in conjunction with the fund manager. ISS and Broadridge, proxy advisory firms, are sometimes used by the fund when voting. One example of a significant vote taken by M&G in this fund over the year is detailed below.

ADLER Real Estate AG, March 2020

- M&G voted for a resolution to waive the 101 change of control clause (which gives bond holders a right to sell their holdings back to the issuer), following the takeover by Ado. M&G thought it was sensible to grant the waiver to avoid potential liquidity issues at Adler.