

Trustees' Report – Implementation Statement covering 1/01/2020 to 31/12/2020

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 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 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 year. The last time these policies were formally reviewed was May 2020.

The Trustees have, in their opinion, followed the Scheme's voting and engagement policies during the 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 several steps to review the Scheme's existing managers and funds over the period, 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 December, the Trustees reviewed LCP's responsible investment (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 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 2020. The Trustees were satisfied with the results of the review and no further action was taken.

When managers Schrodgers and Ruffer presented to the Trustees during the year, the Trustees asked several questions about the managers' voting and engagement practices and were satisfied with the answers they received.

3. Description of voting behaviour during the 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 year.

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

- Ruffer Absolute Return Fund

The Trustees were unable to include voting data from Schrodgers Diversified Growth Fund because Schrodgers is currently unable to provide full and consistent voting data at a fund level. The Trustees will continue to work with their advisers and investment managers with the aim of providing fuller voting information in future implementation statements.

In addition to the above, the Trustees considered the Scheme's other pooled fund investments that don't hold listed equities, but otherwise may have had voting opportunities over the period. Commentary provided from these managers is set out in Section 3.4.

Trustees' Report – Implementation Statement (continued)

3.1 Description of the voting processes

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. They endeavour to vote on the vast majority of their holdings but retain discretion to not vote when it is in their clients' best interests (for example in markets where share blocking applies).

To apply this policy, they work with various industry standards, organisations and initiatives and actively participate in debates within the industry, promoting the principles of active ownership and responsible investment. For example, they are signatories to the Principles for Responsible Investment (PRI), participate in several working groups at the Investment Association and, through their commitment to Climate Action 100+, have co-filed resolutions where they felt this was the most appropriate course of action.

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 cognisant 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.

As discussed above, Ruffer does use ISS as an input into its decisions. In the 12 months to 31 December 2020, of the votes in relation to holdings in the Ruffer Absolute Return Fund, Ruffer voted against the recommendation of ISS over 7.9% of the time.

Schroders evaluate voting issues arising at its investee companies and, where it has the authority to do so, vote on them in line with its fiduciary responsibilities in what it deems to be the interests of its clients. Schroders utilise company engagement, internal research, investor views and governance expertise to confirm its intention.

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

Schroders' own research is also integral to its final voting decision; this will be conducted by both its financial and ESG analysts. For contentious issues, its Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

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3.2 Summary of voting behaviour over the year

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

Ruffer Absolute Return Fund	
Manager name	Ruffer
Fund name	Absolute Return Fund
Total size of fund at end of reporting period	£4,650.2m
Value of Scheme assets at end of reporting period (£ / % of total assets)	£11.8m
Number of holdings at end of reporting period	92
Number of meetings eligible to vote	84
Number of resolutions eligible to vote	1074
% of resolutions voted	97%
Of the resolutions on which voted, % voted with management	90%
Of the resolutions on which voted, % voted against management	9%
Of the resolutions on which voted, % abstained from voting	1%
Of the meetings in which the manager voted, % with at least one vote against management	39%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	7.9%

3.3 Most significant votes over the year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below.

We have selected the subset of the reported significant votes for this report based on the largest three by approximate size of the fund's holding as at the date of the vote.

Ruffer

Ruffer have provided their most significant votes based on what it thinks will be of particular interest to our clients. In most cases, these are when they 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.

Lloyds Bank, United Kingdom, May 2020. Vote: Against

Summary of resolution: Vote on remuneration policy

Rationale: Ruffer voted against the proposed remuneration policy at the company as although it reduces the maximum pay-out at the time of the grant, it significantly relaxes the vesting criteria. Therefore, Ruffer did not think it sufficiently incentivises management to deliver shareholder value.

Trustees' Report – Implementation Statement (continued)

3.3 Most significant votes over the year (continued)

Wheaton Precious Metals, Canada, May 2020. Vote: Against

Summary of resolution: Votes for re-election of non-executive directors

Rationale: Taking into account the average tenure of members of the board, the regions in which the company is domiciled and the sector in which the company operates, Ruffer did not support the re-election of a number of directors in the period because of concerns that they were not independent.

Cigna, USA, April 2020. Vote: Against

Summary of resolution: Votes for re-election of non-executive directors

Rationale: Taking into account the average tenure of members of the board, the regions in which the company is domiciled and the sector in which the company operates, Ruffer did not support the re-election of a number of directors in the period because of concerns that they were not independent.

3.4 Votes in relation to assets other than listed equity

The following general comments were provided by the Scheme's asset managers who don't hold listed equities, but invest in assets that had voting opportunities during the period:

Schroder's All Maturity Corporate Bond Fund and Long Dated Corporate Bond Fund: Schroders evaluate voting issues arising at its investee companies and, where it has the authority to do so, vote on them in line with its fiduciary responsibilities in what it deems to be the interests of our clients. Schroders utilise company engagement, internal research, investor views and governance expertise to confirm its intention.