

# **Implementation Statement**

## **The Welsh National Opera Limited Pension Scheme**

### **Introduction**

This statement has been prepared by the Trustees of The Welsh National Opera Limited Pension Scheme ('the Scheme'), to demonstrate how the Trustees have acted on certain policies within their Statement of Investment Principles ('SIP'). This document is known as the Scheme's Implementation Statement.

Each year, the Trustees must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Scheme year. This Implementation Statement covers the Scheme year from 6 April 2020 to 5 April 2021.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit ('DB') investments held by the Scheme. Note that this excludes any Additional Voluntary Contribution investments held by the Scheme.

Trustees of DB pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

### **SIP Policies**

This implementation statement should be read in conjunction with the Scheme's SIP covering the year under review, which gives details of the Scheme's investment policies along with details of the Scheme's governance structure and objectives. The Scheme's SIP was updated in September 2020 to include policies on:

- How 'financially material considerations' including Environmental, Social and Governance ("ESG") factors are taken into account when taking investment decisions for the Scheme.
- The extent to which non-financial matters are taken into account in the investment decision making process.
- Stewardship and voting – including details on monitoring and engaging with the companies in which they invest (and other relevant stakeholders) on relevant matters (including performance, strategy, risks, corporate governance and ESG).

While the policies were not in place for the full Scheme year, this Implementation Statement reviews the voting and engagement activities covering the 12-month period to the Scheme year end and the extent to which the Trustees believe the new policies have been followed.

The Scheme invests in pooled funds managed by Legal & General Investment Management ("LGIM") (the "Investment Manager").

In the revised SIP, the Trustees stated the following policies on the exercise of voting rights and engagement activities related to their investments:

- “The Trustees review the statements of corporate governance issued by their fund manager and monitor voting activity regularly.

The Trustees’ policy is to invest in pooled investment vehicles. It is the Investment Manager that is responsible for the exercise of rights (including voting rights) attaching to these investments.

The Trustees’ policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Scheme’s interests in the investments, having regard to appropriate advice.”

- “The Trustees recognise the importance of regular monitoring of the Investment Manager’s performance, remuneration and compliance against ESG policy to ensure that the Fund’s assets are being managed appropriately. Regular monitoring and communication with the Investment Manager, with specific reference to ESG factors, will incentivise the Scheme’s Investment Manager to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.”
- “In addition to performance measures, the Trustees will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees will also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to their views on ESG.”
- “If the Trustees believe that the Scheme’s Investment Manager is no longer acting in accordance with the Trustees’ policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustees will take the following steps:
  - engage with the Investment Manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and
  - if necessary, look to appoint a replacement Investment Manager or managers which are more closely aligned with the Trustee’s policies and views.”

## **Description of voting behaviour**

Over the year to 5 April 2021, the Scheme was invested in one mandate where the underlying assets included publicly listed equities. This is the sterling hedged shareclass of the All World Equity Index Fund managed by LGIM.

The Trustees review and monitor the voting and engagement activity taken by the investment manager (LGIM) on their behalf. Information published by LGIM provides the Trustees with comfort that their voting and engagement policies have been followed during the year. The following table shows LGIM’s voting summary covering the Fund’s investment in the All World Equity Index Fund. The Trustees requested voting information from LGIM for the 12-month period to 5 April 2021, but LGIM could only provide information at quarter ends so we have shown the 12-month period to 31 March 2021.

| LGIM All-World Equity Index Fund – GBP Hedged                                   | 1 April – 31 March 2021 |
|---------------------------------------------------------------------------------|-------------------------|
| Number of meetings LGIM was eligible to vote at over the year to 31/3/2021      | 6,779                   |
| Number of resolutions LGIM was eligible to vote on over the year to 31/3/2021   | 70,672                  |
| Of the eligible resolutions, percentage that LGIM voted on.                     | 99.9%                   |
| Of the resolutions voted, percentage that LGIM voted <b>with</b> management.    | 83.2%                   |
| Of the resolutions voted, percentage that LGIM voted <b>against</b> management. | 16.0%                   |
| Of the resolutions voted, percentage where LGIM <b>abstained</b> .              | 0.8%                    |

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and / or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

An analysis of the significant votes made by LGIM for the All World Equity Index Fund predominantly included voting against approving management remuneration reports and long-term incentive plans as well as approving climate change resolutions.

### How engagement policies have been followed

The Trustees review and monitor the voting and engagement activity taken on their behalf on an annual basis. The information published by the Investment Manager has provided the Trustees with comfort that their voting and engagement policies have been followed during the year.

### Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies. Non-equity investments such as the Fund's corporate bond holdings can also include engagement activities but these investments do not carry voting rights.

The Trustees expect the investment manager to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustees' investments.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account client feedback.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop voting and engagement policies and define strategic priorities.

#### **Extent to which trustees' policies have been followed during the year**

Having reviewed the actions taken by LGIM, the Trustees believe that their policies on engagement and voting rights (where applicable) have been implemented appropriately and in line with the Investment Manager's policies over the year. The Trustees will continue to monitor the actions taken on their behalf each year whilst pressing for improved information from LGIM, particularly with respect to ESG factors.

If the Investment Manager deviates substantially from the Trustees' stated policies, the Trustees will initially engage with LGIM in an attempt to influence its policies on ESG and stewardship. If it is concluded that the difference between the policies and LGIM's actions are material, the Trustees will consider terminating the mandate and appointing a replacement manager more closely aligned with the Trustees' policies and views.