



RSNO Pension Scheme Implementation Report

July 2025

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address: Pension Documents - Royal Scottish National Orchestra (rsno.org.uk)

The Implementation Report details:

- actions the Scheme has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 March 2025 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

The following strategic and manager changes were agreed over the year:

- At the June 2025 meeting, the Trustees agreed to partially redeem from the BlackRock Long-Lease Property Fund. The proceeds (£750k) settled in the Trustee bank account in January 2025. It was determined that £383k was surplus cash which was subsequently used to top up the Insight Liquid ABS Fund, which was completed in February 2025.
- In December 2024, Isio downgraded the BlackRock Long Lease Property Fund's research rating to 'Significantly Fails to Meet Criteria' and the Trustees submitted an instruction to fully redeem remaining holdings in the Fund at the December 2024 trade date, with proceeds due to be received in July 2025.
- Post-reporting period, BlackRock confirmed that the redemption would be partially deferred. The remaining c£1.2m will be paid on a pro-rata basis, with the next redemption window at 31 December 2025. BlackRock can defer redemptions for up to 2 years, meaning full settlement will occur by June 2027 at the latest.

Over the course of the year to 31 March 2025, the investment strategy has remained stable; however, following the completion of the 2024 actuarial valuation a full

strategy review is due to take place post period end. The rationale is to explore potential alternative portfolios for the Scheme, accounting for the Trustees' objectives, as well as the current market environment. Two key focuses will be considering how to reinvest the BlackRock LLP disinvestment proceeds, and whether the hedge level remains appropriate.

As part of the wider strategy work, Isio will also be undertaking a hedge review of the Scheme's LDI portfolio. Currently, the Scheme targets a 75% hedge on the Technical Provisions basis. Options to increase the hedge ratio will be considered alongside analysis of the capital required to achieve these targets.

Implementation Statement

This report demonstrates that the RSNO Pension Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 75% of the impact of interest rate and inflation risk on the value of the Scheme's liabilities (measured on the Technical Provisions basis).	<p>No changes were implemented over the reporting period.</p> <p>Post-period end, the hedge ratio is being reviewed as part of wider strategy work. Options to increase the hedge ratio alongside analysis of the capital required to achieve these targets are being explored, with implementation due to be completed post-period end.</p>
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	<p>To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.</p> <p>The Trustees recognise that under periods of higher volatility, the ability to immediately disinvest from some pooled funds can be limited. Accordingly, as part of any manager selection, the Trustees will consider any gating provisions.</p>	<p>The Trustees regularly monitor the collateral and liquidity position to reduce the impact of this risk via annual reporting provided by their investment consultant.</p> <p>The Trustees note that 60% of the current strategic asset allocation can be accessed on a daily basis, 10% weekly, 10% quarterly, and</p>

			20% less frequently.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away unrewarded risks, where affordable and practicable.	The current investment strategy remains diversified and reduces market risk through investments in multiple asset classes. The strategy is currently under review and will conclude post reporting period end.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	The allocation to credit assets remains diversified in terms of number of managers and credit sub-asset classes. However it will be assessed post-reporting period as part of the wider investment strategy review.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	The Trustees' policy for managing and mitigating risks relating to ESG can be found in Appendix C of the Scheme's SIP.	The Trustees reviewed the Scheme's ESG policies as part of the updated Statement of Investment Principles.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	The Trustees are comfortable being exposed to currency risk from the equity portfolio; however the currency risk from other overseas investments is hedged back to Sterling.	No changes over the reporting period.

Changes to the SIP

Policies added to the SIP

The SIP was updated over the 12 months reporting period.

Changes to the SIP were detailed within the prior Implementation Statement, covering the 12 months to 31 March 2024.

The SIP will be reviewed post reporting period following the completion of the ongoing strategy and LDI review.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk. The Scheme has agreed a more detailed ESG policy which describes how it monitors and engages with the investment managers regarding the ESG policies. This page details the Scheme's ESG policy. The next page details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	<p>The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments.</p> <p>As part of ongoing monitoring, the Trustees will use any ESG ratings information provided by their investment consultant to assess how the Scheme's investment managers take account of ESG issues;</p> <p>Through their investment consultant, the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.</p> <p>As part of any manager selection exercise, ESG considerations are included as part of the evaluation criteria.</p>	<p>The manager has not acted in accordance with their policies and frameworks.</p> <p>The manager has received a 'red' ESG rating from the Investment Consultant, signifying that ESG considerations is below satisfactory.</p>

ESG summary and engagement with the investment managers

Manager and Fund	ESG Summary	Latest Actions Proposed	Engagement Details on Prior Actions
LGIM Future World Equity	<p>LGIM has strong firm-level policies in place (e.g. net zero commitment by 2050) alongside a robust approach to Stewardship and Collaboration. LGIM are also a member of 50+ ESG initiatives and networks.</p> <p>The fund has clear forward looking ESG objectives, has a set of exclusions and tilts towards companies that prioritise ESG factors, in addition to utilising a scorecard in decision making.</p>	<p>LGIM should Introduce a formal ESG training program with defined priorities, and should consider developing connections with academic institutions to develop robust risk management frameworks.</p> <p>LGIM should have their ESG metrics and data independently verified and consider reducing the exclusion threshold for revenue from coal.</p> <p>LGIM should also incorporate social, nature & biodiversity objectives, and related metrics into the process</p>	<p>Isio engaged with LGIM on the Trustees' behalf to review their ESG policies and set actions and priorities.</p>
Schroders Diversified Growth Fund	<p>Schroders maintain robust stewardship and collaboration priorities and have strong firm-level policies, (e.g. net zero commitment by 2050). Schroders also have a strong approach to risk management by partnering with multiple academic institutions to help manage</p>	<p>Schroders should look to Increase mandatory sustainability training at the firm-level.</p> <p>Schroders should provide case studies to show climate and social risks being</p>	<p>Isio engaged with Schroders on the Trustees' behalf to review their ESG policies and set actions and priorities.</p>

	<p>sustainability-related risks in their funds.</p> <p>The fund has no specific ESG objectives. Isio's overall ESG view of the fund has reduced this year, whereby individual ESG ratings, in addition to social and nature metrics, not being included in reporting.</p> <p>Schroders, however, have evidenced engagement in line with stewardship priorities at a fund level.</p>	<p>captured during due diligence.</p> <p>Provide GHG emissions data and social / nature-based metrics in official reporting.</p>	
<p>Apollo Semi-Liquid Credit</p>	<p>Apollo publish firm-level ESG and engagement policies. They have a well-resourced and dedicated sustainability team and platform. Additionally, high-level engagement priorities and escalation approaches are in place.</p> <p>The fund has no direct ESG objectives, nor a formal exclusions list. However, a scorecard is used to apply their ESG risk framework consistently and a detailed quarterly ESG report is produced for the Fund.</p>	<p>Apollo should publish a Net Zero commitment and agree interim targets as well as diversity & inclusion targets. Apollo could also consider further collaborative initiatives including NZAMI, CA 100+, and UK Stewardship Code.</p> <p>Apollo should develop ESG objectives for the fund, including formalising an exclusions policy.</p> <p>Apollo should increase engagement coverage and GHG emissions data coverage for TCFD reporting.</p>	<p>Isio engaged with Apollo on the Trustees' behalf to review their ESG policies and set actions and priorities.</p>
<p>BlackRock Long Lease Property Fund</p>	<p>BlackRock have set explicit stewardship priorities on which to engage with investee companies, overseen by a central team. They also collaborate with initiatives on ESG risks.</p> <p>The Fund reports Scope 3 greenhouse gas emissions. Due to the nature of the asset class, the Fund has a limited control over</p>	<p>BlackRock should introduce firm-level stewardship objectives and a formal approach within the firmwide ESG policy.</p> <p>BlackRock should also commit to a Net Zero target, with meaningful interim targets, and</p>	<p>Isio engaged with BlackRock on the Trustees' behalf to review their ESG policies and set actions and priorities.</p>

	<p>implementing some ESG practices.</p>	<p>also reconsider their position in relation to CA100+ and NZAMI membership.</p> <p>BlackRock should provide evidence of detailed ESG metrics within their regular reporting cycle and implement quantifiable ESG targets.</p> <p>BlackRock should produce an ESG scorecard (in line with best practice).</p>	
<p>JP Morgan IIF</p>	<p>JP Morgan ('JPM') have a robust approach to stewardship and comprehensive reporting at firm level. The self-standing ESG team continuously review the Sustainable Investment Statement.</p> <p>The Fund uses an asset-specific scorecard for ongoing monitoring. The fund utilises its ESG in action framework to understand each investment's ESG potential. JPM actively engage with a majority of IIF holdings on ESG issues.</p>	<p>JPM's firm-level net zero target should be expanded to capture all assets under management.</p> <p>JPM should consider making the online ESG training platform for employees mandatory.</p> <p>JPM should provide quarterly reporting on ESG metrics and GHG emissions data.</p> <p>JPM should consider using ESG data sources from external providers during the due diligence process and ongoing monitoring.</p>	<p>Isio engaged with JPM on the Trustees' behalf to review their ESG policies and set actions and priorities.</p>
<p>Insight LDI Funds</p>	<p>Insight has a net zero commitment by 2050, including interim targets, in line with NZAMI. Insight has a robust approach to stewardship and collaboration, including an approach to escalation.</p> <p>Insight has a firm-wide ESG policy and integrates</p>	<p>Insight should consider incorporating ESG objectives and priorities as part of ESG/RI policy.</p> <p>Insight should further expand connections with academic</p>	<p>Isio engaged with Insight on the Trustees' behalf to review their ESG policies and set actions and priorities.</p>

	<p>ESG factors for counterparty evaluation in their LDI funds, however, there are no specific fund-level ESG objectives for the LDI funds.</p>	<p>institutions to develop risk management frameworks.</p> <p>Insight should consider reporting ESG scores and/or metrics for counterparties within the pooled funds or segregated mandates.</p>	
<p>Insight High Grade & Liquid ABS</p>	<p>Insight has a net zero commitment by 2050, including interim targets, in line with NZAMI. Insight has a robust approach to stewardship and collaboration, including an approach to escalation.</p> <p>In-line with peers, ESG reporting is a laggard due to data quality limitations in the ABS market. Insight's process identifies ESG opportunities beyond just managing ESG risks.</p>	<p>Insight should incorporate ESG objectives and priorities as part of ESG/RI policy.</p> <p>Insight should further expand connections with academic institutions to develop risk management frameworks.</p> <p>Insight should develop an approach to estimate carbon footprint in reporting (Scope 1 & 2 emissions).</p> <p>Insight should establish a formal exclusion of thermal coal and tar/oil sands.</p>	<p>Isio engaged with Insight on the Trustees' behalf to review their ESG policies and set actions and priorities.</p>

Engagement

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12-month period to 31 March 2025.

Fund name	Engagement summary	Commentary
LGIM Future World Global Equity Index Fund	Total Engagements: 1944	LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based. LGIM have not provided examples of Fund-specific significant engagements.
	Environmental: 1281	
	Social: 380	
	Governance: 223	
	Other: 50	
Schroders Diversified Growth Fund	Total engagements: 650	Nvidia: Schroders' engagement with Nvidia centred on environmental, social, and governance issues, particularly addressing Nvidia's sustainability actions. The company representatives from Nvidia demonstrated optimism about the role of AI in sustainability, noting the increased energy efficiency of accelerated computing and the company's proactive role in climate aims. They also highlighted ongoing work on their S3 inventory, expected to be published next year, and the exploration of setting Science Based Targets. Improvements in product energy efficiency and the potential reduction of long-term energy consumption were also discussed. The company representatives also touched on the circularity of their products, the adoption of a climate transition plan, and the implementation of an AI ethics committee. The engagement concluded with Nvidia's intention to hold semi-annual calls to discuss these issues further, with the next call scheduled for June. Schroders will continue to monitor progress.
	Environmental: 980	
	Social: 306	
	Governance: 233	
	One engagement can comprise more than one topic across each company.	

Apollo Total Return Fund	<p>Total Engagements: 226</p> <p>Environmental: 216</p> <p>Social: 218</p> <p>Governance: 218</p> <p>One engagement can comprise more than one topic across each company.</p>	<p>Apollo has set engagement policies at the firm-level, including high-level engagement priorities and an escalation approach. As bond investors, Apollo's voting rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors. Engagement coverage for the fund has been relatively low in recent years, but Apollo can demonstrate examples of engagement with issuers.</p> <p>An example of engagement includes:</p> <p>Clean Harbors Inc: Apollo engaged with Clean Harbors ('CH') regarding their progress and challenges in reducing greenhouse gas emissions. Through this engagement, Apollo learned of CH's successes in optimising routing and fleet activities, extending the life of heavy-duty vehicles through refurbishment, and constructing new plants that meet air quality standards. However, as the company grows, they face challenges of increased waste and emissions intensity. CH are working with their customers to reduce Scope 3 emissions and plan to invest in technology to improve reporting.</p>
BlackRock Long Lease Property Fund	<p>BlackRock currently do not provide details of their engagement activities due to the nature of the Fund. Isio will work with BlackRock on the development of the firm's engagement reporting.</p>	<p>BlackRock's ESG related engagement is led by the BlackRock Investment Stewardship (BIS) team. BlackRock lease on full repairing and insuring ("FRI") terms, which means that whilst a tenant is in a property BlackRock has little control over that property, therefore engagement opportunities are scarce.</p>

<p>JPM IIF</p>	<p>The investment manager has been unable to provide data on the exact number of engagements undertaken over the reporting period.</p>	<p>JP Morgan has 100% ownership or majority governance controls over each asset within the IIF and use their influence to engage with businesses to integrate ESG factors into their business plans and strategies.</p> <p>An example of an engagement includes:</p> <p>South Jersey Industries ("SJI"): JP Morgan has full ownership of SJI. JPM work together with SJI management and board to manage and invest in energy transition projects that contribute to climate goals and provide more sustainable energy to customers. Through this partnership, SJI has committed to reducing its scope 1 and 2 operational and consumption carbon emissions by 70% by 2030, with an ultimate goal to be 100% carbon-neutral by 2040 for its utility business. SJI plans to meet these goals by identifying and addressing opportunities for emissions reductions related to distribution fugitive sources, facility sources and electricity usage.</p>
<p>Insight Liquid ABS Fund</p>	<p>Total engagements: 60</p> <p>Insight currently do not provide details on the underlying engagement themes at the fund level for ABS mandates.</p>	<p>Insight engages with issuers on a range of ESG topics. Most engagements are direct in nature and relate to the improvement of data provided by originators and the inclusion of ESG into their loan underwriting process.</p> <p>An example of an engagement includes:</p>
<p>Insight High Grade ABS Fund</p>	<p>Total engagements: 60</p> <p>Insight currently do not provide details on the underlying engagement themes at the fund level for ABS mandates.</p>	<p>Mercedes-Benz: Insight engaged with Mercedes-Benz (significant issuer of auto ABS) to understand their ESG approach and inform them of Insight's additional reporting requirements. Insight discussed the completion of their proprietary questionnaire, informing them that they would reach a point where they were no longer able to invest with Mercedes-Benz if they failed to complete this. Mercedes-Benz now understand Insight's requirements and will collaborate with Insight to complete it. Going forward, Insight will meet with the dedicated ESG team at Mercedes-Benz to discuss the company's ESG initiatives.</p>
<p>Insight LDI</p>	<p>Total Engagements: 473</p> <p>Environmental: 64</p> <p>Social: 38</p> <p>Governance: 26</p> <p>Other: 345</p>	<p>Insight regularly engages with regulators, governments and other industry participants to address long-term structural issues, aiming to stay ahead of regulatory changes and adopt best practice. However, Insight have not provided examples of Fund-specific significant engagements within the LDI mandate.</p>

Voting (for equity/multi asset funds only)

The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

The Scheme's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2025.

The Trustees have adopted the managers' definition of significant votes and have not set stewardship priorities. The managers have provided examples of votes they deem to be significant, and the Trustees have shown the votes relating to the greatest exposure within the Scheme's investment. When requesting data annually, via their investment consultant, the Trustees inform their managers what they deem most significant.

Fund name	Voting summary	Examples of significant votes	Commentary
LGIM Future World Global Equity Index Fund	Meetings eligible to vote for: 5,515	Name of Company: Microsoft Corporation	LGIM's Investment Stewardship team are responsible for managing voting activities across all funds. LGIM use data extracted from their third-party proxy-voting provider, Institutional Shareholder Services (ISS) Proxy Exchange platform, an electronic voting platform to vote its clients' shares. All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions.
	Resolutions eligible to vote for: 55,096	Date of vote: 10 December 2024	
	Resolutions voted on: 99.80%	Approximate size of the Fund's holding: c.4.9%	
	Resolutions voted with management: 81.00%	The Trustees consider this to be a significant vote given the company is facing increased legal and reputational risk around data sourcing practices.	
	Resolutions voted against management: 17.89%		
	Resolutions abstained from: 1.11%	LGIM voted in favour of reporting on AI data sourcing accountability. While the company have strong disclosures on its approach to responsible AI related risks, they believe shareholders would benefit from greater attention to risks related to how the company use third-	

		party information to train its large language models.	
		Although the vote did not pass, LGIM will continue to engage with the company and monitor progress.	
Schroders Diversified Growth Fund	Resolutions eligible to vote on: 16,606	Name of Company: Alphabet Inc.	At Schroders, voting and engagement activity is managed centrally by a 'Sustainable Investment Team'.
	Resolutions voted on: 96.4%	Date of vote: 7 June 2024	
	Resolutions voted with management: 89.5%	Approximate size of the Fund's holding: c.1.4%	Schroders use Glass Lewis (GL) as their service provider for the processing of all proxy votes in all markets. GL delivers voting through its internet-based platform, Viewpoint. Schroders receive recommendations from GL in line with their bespoke guidelines. This is complemented with analysis from Schroders' in house ESG specialists.
	Resolutions voted against management: 10.5%	Schroders voted for a shareholder proposal regarding targets and a report on child safety impacts. The Trustees consider this to be a significant vote given the Company's scale and global influence on these matters.	
	Resolutions abstained from: 0.1%	Schroders believe that the company should adopt targets, disclosed publicly, for improving child safety and reducing child safety incidents on its platforms. The report should also provide a formulaic way of measuring risks to child safety on its platforms. Schroders believe the vote was in the best financial interests of their clients' investments.	
	<i>Totals may not sum to 100% due to rounding</i>	The vote did not pass.	

