

# Royal Horticultural Society 1974 Pension Scheme Implementation Statement for the year ended 5 April 2022

## Purpose

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This Implementation Statement provides information on how, and the extent to which, the Trustees of the Royal Horticultural Society 1974 Pension Scheme (“the Scheme”) have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme’s investments, and engagement activities during the year ended 5 April 2022 (“the reporting year”). In addition, the Statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## Background

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As documented in last year’s Implementation Statement, in Q2 2019, the Trustees received training on Environmental, Social and Governance (“ESG”) issues from their Investment Adviser, XPS Investment (“XPS”) and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the Investment Manager’s own equivalent policies. The Trustees’ new policy was documented in the updated Statement of Investment Principles dated September 2020 (and later versions).

## The Trustees’ updated policy

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The September 2019 SIP introduced the following policies:

*The Trustees have considered their approach to environmental, social and corporate governance (“ESG”) factors and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks (including those related to climate change) to the Scheme’s Investment Manager. The Trustees require the Scheme’s Investment Manager to take ESG risks (including climate change) into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.*

*The Trustees will seek advice from the Investment Adviser on the extent to which its views on ESG risks (including climate change) will be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the Investment Manager from time to time, to ensure they remain appropriate and in line with the Trustees’ requirements as set out in this Statement.*

*The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the Investment Manager and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG risk (including climate change) in relation to those investments.*

*When considering the selection, retention or realisation of investments, the Trustee has a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought nor taken into account the beneficiaries’ views on risks including (but not limited to) ethical, social and environmental issues.*

The September 2020 SIP introduced the following policies:

*As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the Investment Manager.*

*The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Manager to report on significant votes made on behalf of the Trustees.*

*If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation and the investment mandate guidelines provided, then the Trustees may consider terminating the relationship with that Investment Manager.*

*The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercise of voting rights in line with the investment mandate guidelines provided. This expectation is based on the belief that such engagement can be expected to help the Investment Manager to mitigate risk and improve long term returns.*

## Manager selection exercises

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One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

As documented in last year's Implementation Statement, in the previous reporting period the Scheme underwent a manager selection exercise to consider a new investment manager for the Scheme's assets, with a focus on investing in a manner more reflective of their ESG policy. The Trustees invested in funds that were green-rated for ESG by their Investment Adviser. In addition, when targeting equity exposure, the Trustees invested in a passive equity fund that is tilted towards companies deemed to display stronger ESG credentials.

The transition to the new Investment Manager was completed during the reporting period, in August 2021.

## Ongoing governance

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The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the Investment Manager from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

During the reporting year, The Trustees commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of each fund. The Trustees recognise that the level of ESG integration within the investment process is dependent on the asset class in question.

This report was discussed with the Trustees at the meeting on 8 November 2021. One of the areas considered by the report was the Investment Manager's approach to stewardship, with the report providing a rating for each fund in relation to this area. The Trustees concluded that the stewardship capability, and overall ESG capability, of the Investment Manager was strong, but noted that there were areas for improvement, specifically in relation to climate change for the Maturing Buy and Maintain Credit funds.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually. Stewardship and ESG matters are therefore regularly discussed at Trustees' meetings.

## Adherence to the Statement of Investment Principles

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During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

## Voting activity

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The main asset class where the Investment Manager will have voting rights is equities. The Scheme has exposure to equities through their equity holdings and the allocation to a diversified growth fund, of which equities form part of the fund's strategy. A summary of the voting behaviour and most significant votes cast by LGIM, is as follows:

*Please note that the following section was written by LGIM, which is reflected in the use of "we" throughout; any views given are not necessarily those of the Trustees.*

## Voting Information

### Legal and General Investment Management Dynamic Diversified Fund

The manager voted on 99.79% of resolutions of which they were eligible out of 71,658 eligible votes.

### Investment Manager Client Consultation Policy on Voting

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 all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

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 the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

### Investment Manager Process to determine how to Vote

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

### How does this manager determine what constitutes a 'Significant' Vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

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 we 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.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions. If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at: <https://vds.issgovernance.com/vds/#/MjU2NQ==/>

### Does the manager utilise a Proxy Voting System? If so, please detail

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
<b>Microsoft Corporation</b>	<b>Elect Director Satya Nadella</b>	<b>Against</b>	<b>94.7% of shareholders supported the resolution</b>
<p>LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.</p> <p>LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.</p>			
<b>Apple Inc.</b>	<b>Resolution 9 - Report on Civil Rights Audit</b>	<b>For</b>	<b>53.6% of shareholder supported the resolution</b>
<p>Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.</p> <p>LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>			
<b>Barrick Gold Corporation</b>	<b>Resolution 1.2 Elect Director Gustavo A. Cisneros</b>	<b>LGIM withheld their vote</b>	<b>93.0% of shareholders supported the resolution</b>

LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, we have been using our position to engage with companies on this issue. As part of our efforts to influence our investee companies on having greater gender balance, in 2020, LGIM increased its expectations on gender diversity on the board by placing a vote against the largest 100 companies in the S&P500 and the S&P/TSX where there is less than 25% women on the board. In 2021, we expanded the scope of our vote policy to include all companies in the S&P 500 and the S&P/TSX. Our expectation is for all companies in this market to reach a minimum of 30% women on the board and at senior management level by 2023.

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

<b>Amazon.com, Inc.</b>	<b>Resolution 1a Elect Director Jeffrey P. Bezos</b>	<b>Against</b>	<b>95.1% of shareholders supported the resolution</b>
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LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

<b>American Tower Corporation</b>	<b>Resolution 1i Elect Director Pamela D.A. Reeve</b>	<b>Against</b>	<b>94.7% of shareholders supported the resolution</b>
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The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.

LGIM will continue to engage with the company and monitor progress.

## Voting Information

### Legal and General Investment Management Future World Global Equity Index Fund

The manager voted on 99.86% of resolutions of which they were eligible out of 47,851 eligible votes.

### Investment Manager Client Consultation Policy on Voting

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To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

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Apple Inc.	Resolution 9 - Report on Civil Rights Audit	For	53.6% of shareholder supported the resolution
<p>Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.</p> <p>LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>			
NVIDIA Corporation	Resolution 1g Elect Director Harvey C. Jones	Against	94.2% of shareholders supported the resolution



LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, we have been using our position to engage with companies on this issue. As part of our efforts to influence our investee companies on having greater gender balance, in 2020, LGIM increased its expectations on gender diversity on the board by placing a vote against the largest 100 companies in the S&P500 and the S&P/TSX where there is less than 25% women on the board. In 2021, we expanded the scope of our vote policy to include all companies in the S&P 500 and the S&P/TSX. Our expectation is for all companies in this market to reach a minimum of 30% women on the board and at senior management level by 2023.

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

<b>Amazon.com, Inc.</b>	<b>Resolution 1a Elect Director Jeffrey P. Bezos</b>	<b>Against</b>	<b>95.1% of shareholders supported the resolution.</b>
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LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

<b>Intel Corporation</b>	<b>Resolution 5 Report on Global Median Gender/Racial Pay Gap</b>	<b>For (management recommendation: against)</b>	<b>14.3% of shareholders supported the resolution.</b>
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A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, we have been using our position to engage with companies on this issue. As part of our efforts to influence our investee companies on having greater gender balance, we expect all companies in which we invest globally to have at least one female on their board. Please note we have stronger requirements in the UK, North American, European and Japanese markets, in line with our engagement in these markets. For further details, please refer to our vote policies on our website.

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

Signed: \_\_\_\_\_, Chair of Trustees

Date: \_\_\_\_\_