

# Royal Horticultural Society 1974 Pension Scheme Implementation Statement for the year ended 5 April 2024

## 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 2024 (“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).

Please note, that in Q3 2023, the Scheme fully disinvested from their equity and diversified growth fund holdings and the Statement of Investment Principles is expected to be updated by the Trustees post year end.

## 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.

There were no manager selection exercises undertaken during the reporting year. As reported in previous Implementation Statements, previous manager selection exercises were undertaken with a focus on investing in a manner reflective of the Trustees' ESG policy.

## 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.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. In particular, whilst the Trustees have not, to date, introduced specific stewardship priorities, they will monitor the results of those votes deemed by the managers to be most significant in order to determine whether specific priorities should be introduced and communicated to the managers. 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 had 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. Please note that in Q3 2023, the Scheme fully disinvested from their equity and diversified growth fund holdings, meaning the Scheme had no equity exposure after that point. A summary of the voting behaviour and most significant votes cast by LGIM throughout the period 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
<b>Legal and General Investment Management Dynamic Diversified Fund</b>
The manager voted on 99.8% of resolutions of which they were eligible out of 98,900 eligible votes.
Investment Manager Client Consultation Policy on Voting
<p>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.</p> <p>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.</p>
Investment Manager Process to determine how to Vote
<p>All decisions are made by LGIM’s Investment Stewardship team and in accordance with our relevant Corporate Governance &amp; 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.</p>
How does this manager determine what constitutes a ‘Significant’ Vote?
<p>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.</p> <p>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.</p> <p>In determining significant votes, LGIM’s Investment Stewardship team takes into account the criteria provided by the Pensions &amp; Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:</p> <ul style="list-style-type: none"> <li>• High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;</li> <li>• 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;             <ul style="list-style-type: none"> <li>• Sanction vote as a result of a direct or collaborative engagement;</li> </ul> </li> <li>• Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.</li> </ul>

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
Toyota Motor Corp.	<b>Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement</b>	<b>For (Against Management Recommendation)</b>	<b>Fail</b>
<p>LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. We acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, we believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, we expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. We believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.</p>			
Apple Inc.		<b>Against</b>	<b>Fail</b>

	<b>Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy</b>		
Shareholder Resolution - Environmental and Social: A vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.			
<b>Tencent Holdings Limited</b>	<b>Resolution 3a - Elect Jacobus Petrus (Koos) Bekker as Director</b>	<b>Against (against management recommendation)</b>	<b>Pass</b>
Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors.			
<b>Shell Plc</b>	<b>Resolution 25 - Approve the Shell Energy Transition Progress</b>	<b>Against (against management recommendation)</b>	<b>Pass</b>
Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.			
<b>Public Storage</b>	<b>Resolution 5 - Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal</b>	<b>For (against management recommendation)</b>	<b>Fail</b>
Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.			

### Voting information

#### LGIM Future World Global Equity Index Fund GBP Hedged

The manager voted on 99.91% of resolutions of which they were eligible out of 52212 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**

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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.

**Top 5 Significant Votes during the Period**

Company	Date of Vote	Size of fund holdings	Voting subject	How did the Investment Manager Vote	Outcome
JPMorgan Chase & Co.	2023-05-16	0.849739	Resolution 9 - Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	For (Against Management Recommendation)	34.8% (Fail)

<p>Why the vote was deemed significant: Pre-declaration and Thematic – Climate: LGIM considers this vote to be significant as we pre-declared our intention to support. We continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.</p>					
<p>Where voted against the company, was this communicated: LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.</p>					
<p>Rationale: We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the ‘how’ rather than the ‘what’, including activities and timelines) can further focus the board’s attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.</p>					
<p>Implication: LGIM will continue to engage with the company and monitor progress.</p>					
Apple Inc.	2024-02-28	4.462296	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	Against	Fail
<p>Why the vote was deemed significant: Thematic - Diversity: LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p>					
<p>Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics</p>					
<p>Rationale: Shareholder Resolution - Environmental and Social: A vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and nondiscrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.</p>					
<p>Implication: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>					
Mastercard Incorporated	2023-06-27	0.641037	Resolution 1a - Elect Director Merit E. Janow	For (in line with management recommendation)	98.1% (Pass)
<p>Why the vote was deemed significant: Thematic - Investor Rights and Engagement: This vote is considered significant due to the focus on the thematic area of engagement on investor rights.</p>					
<p>Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against</p>					



management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.					
Rationale: Governance concerns: A vote in favour is applied as no significant concerns were highlighted. While we note the dual-class share structure with A and B shares outstanding, the Company has confirmed that the legacy B shares do not confer any rights and therefore do not negatively affect the rights attached to the commonly traded A shares.					
Implication: LGIM will continue to monitor the development of this issue in the market.					
<b>Amazon.com, Inc.</b>	<b>2023-05-24</b>	<b>1.304096</b>	<b>Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps</b>	<b>For (Against Management Recommendation)</b>	<b>29% (Fail)</b>
Why the vote was deemed significant: Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.					
Where voted against the company, was this communicated: LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.					
Rationale: 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. This is an important disclosure so that investors can assess the progress of the company’s diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.					
Implication: LGIM will continue to engage with the company and monitor progress.					
<b>Alphabet Inc.</b>	<b>2023-06-02</b>	<b>1.019847</b>	<b>Resolution 18 - Approve Recapitalization Plan for all Stock to Have One-vote per Share</b>	<b>For (against management recommendation)</b>	<b>30.7% (Fail)</b>
Why the vote was deemed significant: High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.					
Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.					
Rationale: Shareholder Resolution - Shareholder rights: A vote in favour is applied as LGIM expects companies to apply a one-share-one-vote standard.					
Implication: LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.					

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

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