

Royal Zoological Society of Scotland Pension Fund Implementation Statement for the year ended 31 March 2024

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustee of the Royal Zoological Society of Scotland Pension Fund (the "Fund") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Fund's investments, and engagement activities during the year ended 31 March 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

The Trustee's policies in relation to the responsible investment of the Fund's assets are documented in the Fund's Statement of Investment Principles. The latest version of this document is dated 8 December 2023. The Trustee's responsible investment policies cover two broad areas:

1. The consideration of environmental, social and governance ('ESG') considerations into investment decision making
2. The effective and appropriate stewardship of the Scheme's assets including voting rights (where applicable) and engagement activities

The Trustee's statement of investment principles is reviewed at least every 3 years, or sooner if there are any material changes to any of the Trustees' policies or changes to the Scheme's strategic investment allocation.

The Trustee's policy

The Trustee believes that there can be financially material risks relating to ESG issues. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Fund's investment manager. The Trustee requires the Fund's investment manager to take ESG and climate change risks 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 Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Fund'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 and/or climate change risk in relation to those investments.

Manager selection exercises

One of the main ways in which the Trustee's policy is expressed is via manager selection exercises: the Trustee seeks advice from XPS on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, the Trustee invested into two new pooled investment funds: the LGIM Buy and Maintain Credit Fund and a range of LGIM's Single Stock Gilt funds. As part of the fund selection process, the Trustee considered that XPS Investment had awarded both of these new funds with their highest "Green" research rating for their ESG rating criteria. Further, the Trustee noted that LGIM are one of the leading UK investment managers in active ownership and engagement activities.

Ongoing governance

The Trustee, 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 Trustee's requirements as set out in this statement.

Beyond the governance work currently undertaken, the Trustee believes that its approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. In particular, whilst the Trustee has 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.

Adherence to the Statement of Investment Principles

During the reporting year the Trustee is satisfied that the policy on the exercise of rights (including voting rights) and engagement activities was followed to an acceptable degree.

Voting activity

The main asset class where the investment manager will have voting rights is equities. The Fund has allocations to equities through the Fund's investment in the LGIM Diversified Fund. Therefore, a summary of the voting behaviour and most significant votes cast by LGIM in relation to this fund is set out below.

Please note that all information provided on voting activity has been written by the investment manager, and this is reflected in the use of "we/us" throughout. Any views expressed are not necessarily those of the Trustee.

Key voting statistics
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 & 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?

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.

For more information on how we use the services of proxy providers, please refer to the following document available on our website: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Tencent Holdings Limited	Resolution 3a - Elect Jacobus Petrus (Koos) Bekker as Director	Against (against management recommendation)	Pass - 88.4% of shareholders supported the resolution
Toyota Motor Corp.	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	For (against management recommendation)	Fail - 15.1% of shareholders supported the resolution
Public Storage	Resolution 5 - Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	For (against management recommendation)	Fail - 34.7% of shareholders supported the resolution
Shell Plc	Resolution 25 - Approve the Shell Energy Transition Progress	Against (against management recommendation)	Pass - 80% of shareholders supported the resolution
Eversource Energy	Resolution 1.9 - Elect Director Joseph R. Nolan, Jr.	Against (against management recommendation)	Pass - 71.4% of shareholders supported the resolution
LGIM have committed to continue to engage with all investee companies, publicly advocate their position on each respective voting matter and monitor company and market-level progress.			