

# Royal Zoological Society of Scotland Pension Fund Implementation Statement for the year ended 31 March 2023

## Purpose

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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<sup>st</sup> March 2023 (“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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The Trustee’s policies in relation to ESG and voting issues are documented in their Statement of Investment Principles, dated September 2020.

## The Trustee’s policy

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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 managers. The Trustee requires the Fund’s investment managers 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 managers 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

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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, there have been no such manager selection exercises.

## Ongoing governance

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The Trustee, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers 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 managers will have voting rights is equities. The Fund has allocations to equities through investments made in pooled funds managed by LGIM and Columbia Threadneedle. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

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

### LGIM – Diversified Fund

Key voting statistics
The manager voted on 99.8% of resolutions of which they were eligible out of 99,647 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</p>

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
Royal Dutch Shell Plc	Resolution 20 - Approve the Shell Energy Transition Progress Update	Against	79.9% of shareholders supported the resolution

Rio Tinto Plc	Resolution 17 - Approve Climate Action Plan	Against	84.3% of shareholders supported the resolution
Prologis, Inc.	Resolution 1a - Elect Director Hamid R. Moghadam	Against	92.9% of shareholders supported the resolution
Consolidated Edison, Inc.	Resolution 1.9 - Elect Director Michael W. Ranger	Against	89.2% of shareholders supported the resolution
VINCI SA	Resolution 4 - Reelect Xavier Huillard as Director	Against	90.8% of shareholders supported the resolution
<p>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.</p>			

#### Columbia Threadneedle – Dynamic Real Return Fund

##### Key voting statistics

The manager voted on 100% of resolutions of which they were eligible out of 696 eligible votes.

##### Investment Manager Client Consultation Policy on Voting

The manager doesn't have a client consultation policy on voting.

##### Investment Manager Process to determine how to Vote

Proxy voting decisions are made in accordance with the principles established in the Columbia Threadneedle Investments Corporate Governance and Proxy Voting Principles (Principles) document, and our proxy voting practices are implemented through our Proxy Voting Policy.

For those proposals not covered by the Principles, or those proposals set to be considered on a case by case basis (i.e., mergers and acquisitions, share issuances, proxy contests, etc.), the analyst covering the company or the portfolio manager that owns the company will make the voting decision. We utilise the proxy voting research of ISS and Glass Lewis & Co., which is made available to our investment professionals, and our RI team will also consult on many voting decisions.

The administration of our proxy voting process is handled by a central point of administration at our firm (the Global Proxy Team). Among other duties, the Global Proxy Team coordinates with our third-party proxy voting and research

providers.

Columbia Threadneedle Investments utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services. We have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities.

In voting proxies on behalf of our clients, we vote in consideration of all relevant factors to support the best economic outcome in the long-run. As an organisation, our approach is driven by a focus on promoting and protecting our clients' long-term interests; while we are generally supportive of company management, we can and do frequently take dissenting voting positions. While final voting decisions are made under a process informed by the RI team working in collaboration with portfolio managers and analysts, our Global Proxy Team serves as the central point of proxy administration with oversight over all votes cast and ultimate responsibility for the implementation of our Proxy Voting Policy. Our voting is conducted in a controlled environment to protect against undue influence from individuals or outside groups.

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

We consider a significant vote to be any dissenting vote i.e. where a vote is cast against (or where we abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management. We report annually on our reasons for applying dissenting votes via our website. Our report on dissenting votes cast across 2019 is available at:  
[https://www.columbiathreadneedle.co.uk/uploads/2021/03/a3211533327fca86c825bdf2feb17125/en\\_voting\\_rationales\\_2020.pdf](https://www.columbiathreadneedle.co.uk/uploads/2021/03/a3211533327fca86c825bdf2feb17125/en_voting_rationales_2020.pdf)

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

As active investors, well informed investment research and stewardship of our clients' investments are important aspects of our responsible investment activities. Our approach to this is framed in the relevant Responsible Investment Policies we maintain and publish. These policy documents provide an overview of our approach in practice (e.g., around the integration of environmental, social and governance (ESG) and sustainability research and analysis).

As part of this, acting on behalf of our clients and as shareholders of a company, we are charged with responsibility for exercising the voting rights associated with that share ownership. Unless clients decide otherwise, that forms part of the stewardship duty we owe our clients in managing their assets. Subject to practical limitations, we therefore aim to exercise all voting rights for which we are responsible, although exceptions do nevertheless arise (for example, due to technical or administrative issues, including those related to Powers of Attorney, share blocking, related option rights or the presence of other exceptional or market-specific issues). This provides us with the opportunity to use those voting rights to express our preferences on relevant aspects of the business of a company, to highlight concerns to the board, to promote good practice and, when appropriate, to exercise related rights. In doing so we have an obligation to ensure that we do that in the best interests of our clients and in keeping with the mandate we have from them.

Corporate governance has particular importance to us in this context, which reflects our view that well governed companies are better positioned to manage the risks and challenges inherent in business, capture opportunities that

help deliver sustainable growth and returns for our clients. Governance is a term used to describe the arrangements and practices that frame how directors and management of a company organise and operate in leading and directing a business on behalf of the shareholders of the company. Such arrangements and practices give effect to the mechanisms through which companies facilitate the exercise of shareholders' rights and define the extent to which these are equitable for all shareholders.

We recognise that companies are not homogeneous and some variation in governance structures and practice is to be expected. In formulating our approach, we are also mindful of best practice standards and codes that help frame good practice, including international frameworks and investment industry guidance. While we are mindful of company and industry specific issues, as well as normal market practice, in considering the approach and proposals of a company we are guided solely by the best interests of our clients and will consider any issues and related disclosures or explanations in that context. While analysing meeting agendas and making voting decisions, we use a range of research sources and consider various ESG issues, including companies' risk management practices and evidence of any controversies. Our final vote decisions take account of, but are not determinatively informed by, research issued by proxy advisory organisations such as ISS, IVIS and Glass Lewis as well as MSCI ESG Research. Proxy voting is effected via ISS.

#### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
General Motors Company	Report on the Use of Child Labour in Connection with Electric Vehicles	For	Resolution did not pass
Alphabet Inc.	Commission Third Party Assessment of Company's Management of Misinformation and Disinformation Across Platforms	For	Resolution did not pass
Alphabet Inc.	Report on Metrics and Efforts to Reduce Water Related Risk	For	Resolution did not pass
Alphabet Inc.	Report on Climate Lobbying	For	Resolution did not pass
Amazon.com, Inc.	Commission Third Party Report Assessing Company's Human Rights Due Diligence Process	For	Resolution did not pass