

Implementation Statement for the year ending 30 June 2021

Statement of Compliance with the Pension and Assurance Scheme of the Land Securities Group of Companies Stewardship Policy for the year ending 30 June 2021.

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme's Stewardship Policy during the period from 1 July 2020 to 30 June 2021. This Implementation Statement is in respect of the Scheme's Statement of Investment Principles (SIP) that was in place as at 30 June 2021.

Stewardship policy

The Trustee Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed on an annual basis in line with the Scheme's SIP review. The most relevant SIP for this review was completed on 14 August 2020. The latest version of the SIP was completed on 15 July 2021 and has been published on the Landsec website [here](#).

The following changes were made to the Stewardship Policy during the year:

- The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. The Trustee expects the investment managers to comply with the 2020 UK Stewardship Code.
- Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors; and
- The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on its dialogue with its investment managers which is undertaken in conjunction with its investment advisers. The Trustee meets regularly with its managers and the Trustee considers managers exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustee also monitors its compliance with its Stewardship Policy on a regular basis and is satisfied that it has complied with the Scheme's Stewardship Policy over the last year. The Trustee has received and will continue to receive regular training on Environmental, Social & Governance (ESG) issues including climate change.

Switch to ESG tilted equity fund

At a Trustee meeting on 3 December 2020, it was minuted that the Trustee had agreed to switch from the Scheme's existing regional equity funds to the Future World Global Equity Index Fund managed by Legal and General Investment Management (LGIM), and this was implemented on 9 December 2020. This fund excludes companies on the Legal & General Future World Protection list. This list includes companies that are involved in, and derive parts of their revenues from, areas such as controversial weapons and pure coal mining, and certain companies that do not comply with the United Nations Global Compact screening criteria. Following these exclusions, the index provider re-weights the remaining index constituents by tilting according to various ESG scores.

Investment managers

The Trustee has appointed the following investment managers to manage the Scheme's assets. All three managers are signatories to the UN PRI (Principles for Responsible Investment) and their Strategy & Governance ratings are shown in the table below.

| Manager | PRI Ratings (2021) |
|--|--------------------|
| LGIM | A+ |
| BMO Global Asset Management (BMO) | A+ |
| M&G Investments (M&G) | A+ |

The managers actively engage in climate issues and LGIM has an explicit climate impact pledge to support companies to limit carbon emissions to net zero by 2050. LGIM are also a Tier 1 signatory of the 2012 Stewardship Code, which is relevant for equity mandates.

Voting activity

The Trustee expects its managers to use their voting rights on all material issues and monitors investment managers' voting on particular companies or issues that affect more than one company.

At the year end the Scheme was invested in the Future World Global Equity Index Fund and LGIM has reported on how votes were cast in this fund as set out in the table below.

| LGIM Future World Global Equity Index Fund | 12-months to 30/06/21 |
|--|-----------------------|
| Target proportion of Scheme's assets (excluding buy-ins) | 20.0% |
| No. of meetings eligible to vote at during the year | 3,993 |
| No. of resolutions eligible to vote on during the year | 45,380 |
| % of resolutions voted | 99.9% |
| % of resolutions voted with management | 83.0% |
| % of resolutions voted against management | 16.2% |
| % of resolutions abstained | 0.8% |
| % of meetings with at least one vote against management | 61.8% |

The Scheme was also invested in a range of LGIM equity funds up to 9 December 2020. LGIM has reported on how votes were cast in each of these funds as set out in the tables below:

| LGIM UK Equity Index Fund | 12-months to 30/06/21 |
|---|------------------------------|
| No. of meetings eligible to vote at during the year | 793 |
| No. of resolutions eligible to vote on during the year | 10,918 |
| % of resolutions voted | 100.0% |
| % of resolutions voted with management | 92.6% |
| % of resolutions voted against management | 7.4% |
| % of resolutions abstained | 0.0% |
| % of meetings with at least one vote against management | 47.2% |

| LGIM North America Equity Index Fund | 12-months to 30/06/21 |
|---|------------------------------|
| No. of meetings eligible to vote at during the year | 666 |
| No. of resolutions eligible to vote on during the year | 8,176 |
| % of resolutions voted | 99.7% |
| % of resolutions voted with management | 71.4% |
| % of resolutions voted against management | 28.5% |
| % of resolutions abstained | 0.1% |
| % of meetings with at least one vote against management | 93.4% |

| LGIM Europe (ex UK) Equity Index Fund | 12-months to 30/06/21 |
|---|------------------------------|
| No. of meetings eligible to vote at during the year | 558 |
| No. of resolutions eligible to vote on during the year | 9,336 |
| % of resolutions voted | 100.0% |
| % of resolutions voted with management | 83.4% |
| % of resolutions voted against management | 16.2% |
| % of resolutions abstained | 0.4% |
| % of meetings with at least one vote against management | 75.6% |

| LGIM Japan Equity Index Fund | 12-months to 30/06/21 |
|--|------------------------------|
| No. of meetings eligible to vote at during the year | 470 |
| No. of resolutions eligible to vote on during the year | 5,646 |
| % of resolutions voted | 100.0% |
| % of resolutions voted with management | 86.2% |
| % of resolutions voted against management | 13.8% |

| | |
|---|-------|
| % of resolutions abstained | 0.0% |
| % of meetings with at least one vote against management | 76.0% |

| LGIM Asia Pacific (ex-Japan) Developed Equity Index Fund | 12-months to 30/06/21 |
|---|------------------------------|
| No. of meetings eligible to vote at during the year | 379 |
| No. of resolutions eligible to vote on during the year | 2,665 |
| % of resolutions voted | 100.0% |
| % of resolutions voted with management | 74.1% |
| % of resolutions voted against management | 25.6% |
| % of resolutions abstained | 0.0% |
| % of meetings with at least one vote against management | 69.7% |

| LGIM Global Emerging Markets Equity Index Fund | 12-months to 30/06/21 |
|---|------------------------------|
| No. of meetings eligible to vote at during the year | 3,907 |
| No. of resolutions eligible to vote on during the year | 35,672 |
| % of resolutions voted | 99.8% |
| % of resolutions voted with management | 84.1% |
| % of resolutions voted against management | 14.1% |
| % of resolutions abstained | 1.8% |
| % of meetings with at least one vote against management | 47.6% |

The resolutions which LGIM voted against management the most on over the Scheme year were mainly in relation to Boards of Directors, remuneration and routine business.

Significant votes

The Trustee has asked LGIM to report on significant votes cast within the Scheme's equity funds. They were asked to explain the reasons why votes identified were significant, how they voted, any engagement it had undertaken with the company and the outcome of the vote. From the manager report, the Trustee has identified the following five votes as being of greater relevance to the Scheme:

| Date | Company | Subject (theme and summary) | Manager's vote and rationale |
|----------|--------------------------------------|---|---|
| 18/05/21 | Luxshare Precision Industry Co. Ltd. | Resolution 11.1 Elect Wang Laichun as Director | <p>LGIM voted against the resolution (against management).</p> <p>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.</p> <p>The resolution was approved by shareholders.</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. LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p> |
| 20/05/21 | Marsh & McLennan Companies, Inc. | Resolution 1k Elect Director Morton O. Schapiro | <p>LGIM voted against the resolution (against management).</p> <p>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.</p> <p>94.7% of shareholders supported the resolution.</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. LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p> |

| | | | |
|----------|----------------------------------|--|---|
| 08/05/21 | Cincinnati Financial Corporation | Resolution 1.6 Elect Director Steven J. Johnston | <p>LGIM voted against the resolution (against management).</p> <p>The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.</p> <p>96.0% of shareholder supported the resolution.</p> <p>LGIM will continue to engage with the company and monitor progress. LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.</p> |
| 05/05/21 | Stryker Corporation | Resolution 1e Elect Director Kevin A. Lobo | <p>LGIM voted against the resolution (against management).</p> <p>Same issue as Luxshare Precision Industry Co. Ltd.</p> <p>96.4% of shareholders supported the resolution.</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> <p>LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p> |
| 13/05/21 | Cboe Global Markets, Inc. | Resolution 1a Elect Director Edward T. Tilly | <p>LGIM voted against the resolution (against management).</p> <p>Same issue as Luxshare Precision Industry Co. Ltd.</p> <p>92.7% of shareholders supported the resolution.</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. LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p> |

Engagement activity

The Trustee receives information at least annually on their managers' engagement activity. The following summarises the key engagement activity for the 12-month period ending 30 June 2021 provided by the respective managers.

LGIM

At a firm-wide level, LGIM had 1,003 engagements with 893 companies over the period through a combination of face-to-face meetings, conference calls, emails and letters. The number of engagements in the areas of environment, social and governance is shown below. Remuneration, board composition and climate change were the top three topics of engagement.

| Number of engagements | Area or topic engaged on |
|-----------------------|--------------------------|
| 462 | Governance |
| 246 | Social |
| 461 | Environment |

BMO

For the Sterling Corporate Bond Fund, BMO had 161 engagements with 47 companies over the period predominantly through active private engagement on specific issues. The top five topics of engagement are shown in the table below.

| Number of engagements | Area or topic engaged on |
|-----------------------|--------------------------|
| 60 | Labour standards |
| 82 | Climate change |
| 42 | Corporate governance |
| 26 | Environmental standards |
| 23 | Public health |

Two examples of BMO's engagement with companies are set out below:

VW

Engagement action

- Intensive Engagement since discovery of emissions manipulation scandal in 2015, including meetings with the chairman and Head of Group Strategy.
- Focus has been on governance reforms, the strengthening of internal controls as well as long term emissions strategy.
- The manager is also co-leading engagement with VW under the Climate Action 100+ initiative.

Verdict

- The manager felt that VW was actively seeking to improve its ESG credentials and that significant steps had been made to improve transparency and corporate culture.
- This subsequently led BMO to increase their forward ESG score from -1.0 to -0.5, and led them to identify opportunities within VW's suite of bonds.

Barclays

ESG concerns

- Various investigations into corporate behaviour.
- Significant involvement in fossil fuel financing.

Engagement action 2020

- Group meeting with the Barclays chair focussing on climate policy.
- Filing of a shareholder resolution by ShareAction on climate strategy.
- Formal letter on the company's approach to managing the risks and opportunities of climate change.

- Co-signed a letter to urging Barclays to protect the mental health of their workforce.

Milestones

- Barclays announced their ambition to be a net zero bank by 2050.
- Committed to align financing in all sectors to the goals of the Paris Agreement.
- Subsequently detailed the approach of their new climate strategy, which is considered industry leading.

Verdict

- Encouraged by progress on both climate policy and governance.
- In May 2020, the manager increased their future credit ESG score to neutral.

M&G

M&G has worked with issuers and arrangers across a range of ESG themes over the reporting year as follows:

- **Commercial Mortgage Backed Securities (CMBS)** engagements have focussed primarily on environmental factors, such as encouraging sponsors to provide more granular data on their specific ESG policies and capex schedules for improving energy efficiency of existing developments.
- **Residential Mortgage Backed Securities (RMBS) and Consumer Asset Backed securities (ABS)** engagements have been across environmental, social and governance issues as follows:
 - **Environmental:** Seeking more disclosure on CO₂ emission data on the underlying collateral pools, some auto issuers have begun to provide this information. M&G's proprietary carbonator estimation tool is being enhanced to model assets' emissions.
 - **Social:** M&G have been working closely with issuers to better understand "payment holiday" trends and treatment of vulnerable borrowers during the pandemic. M&G ensured that transactions had appropriate structural features designed to mitigate concerns for bond holders.
 - **Governance:** Since the end of LIBOR was announced, M&G have been engaging with issuers to ensure the smooth transition of liability references from LIBOR to SONIA.

One recent example where M&G did not participate in a transaction based on negative ESG factors is a UK CMBS deal where M&G considered the disclosure regarding defective cladding remediation works to be inadequate.

Examples of ESG criteria used in the assessment of investments are set out in the table below.

| Environmental | Social | Governance |
|---------------------------------|-----------------------------------|--------------------------------------|
| % of green receivables | % low income borrowers | View on management |
| % of assets in flood risk areas | Financial education provided? | Fines / regulatory issues at sponsor |
| Energy efficiency | Underwriting & recovery practices | Data reporting / openness |
| % of diesel cars | | |

M&G exclude predatory and payday lenders.

Use of a proxy adviser

The Trustees' investment managers have made use of the services of the following proxy voting advisors over the Scheme year:

| Manager | Proxy Advisor used |
|---------|--------------------|
| LGIM | ISS |
| BMO | ISS |
| M&G | ISS |

Summary

All of the Scheme's managers are signed up to the PRI and the Trustee is satisfied that they are implementing the Trustee's stewardship policy on its behalf. The Trustee will continue to seek improvement in its understanding of how its managers engage with companies and use its influence to drive positive change.