

Implementation Statement for the year ending 30 June 2022

Statement of Compliance with the Pension and Assurance Scheme of the Land Securities Group of Companies Stewardship Policy for the year ending 30 June 2022.

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 2021 to 30 June 2022. This Implementation Statement is in respect of the Scheme's Statement of Investment Principles (SIP) that was in place as at 30 June 2022.

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 15 July 2021 and has been published on the Landsec website.

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.

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 (2022)
LGIM	A+
Columbia Threadneedle ("Threadneedle")	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 30/06/22
Target proportion of Scheme's assets (excluding buy-ins)	10.0%
No. of meetings eligible to vote at during the year	4,750
No. of resolutions eligible to vote on during the year	51,471
% of resolutions voted	99.8%
% of resolutions voted with management	80.5%
% of resolutions voted against management	18.6%
% of resolutions abstained	0.9%
% of meetings with at least one vote against management	63.2%

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

Significant votes

The Trustee has asked LGIM to report on significant votes cast within the Scheme's equity fund. 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 four votes as being of greater relevance to the Scheme:

Date	Company	Subject (theme and summary)	Manager's vote and rationale
04/03/22	Apple.Inc	Resolution 9 - Report on Civil Rights Audit	<p>LGIM voted for the resolution.</p> <p>LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics. LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.</p> <p>53.6% of shareholders approved the resolution.</p> <p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress. LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p>
30/11/21	Microsoft Corporation	Elect Director Satya Nadella	<p>LGIM voted against the resolution (against management).</p> <p>LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.</p> <p>94.7% of shareholders did not support the resolution.</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> <p>A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes</p>
25/05/22	Amazon.com Inc	Resolution 1f - Elect Director Daniel P. Huttenlocher	<p>LGIM voted against the resolution (against management).</p> <p>Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.</p> <p>93.3% of shareholders did not support the resolution.</p> <p>LGIM will continue to engage with its investee companies, publicly advocate their position on this issue and monitor company and market-level progress. LGIM pre-declared its vote intention for this resolution, demonstrating its significance.</p>

02/06/22	NVIDIA Corporation	Resolution 1g - Elect Director Harvey C. Jones	<p>LGIM voted against the resolution (against management).</p> <p>Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue.</p> <p>Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p> <p>83.8% of shareholders did not support 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 diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p>
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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 2022 provided by the respective managers.

LGIM

At a firm-wide level, LGIM had 706 engagements with 605 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
342	Governance
287	Social
336	Environment

Columbia Threadneedle

For the Sterling Corporate Bond Fund, Threadneedle had 128 engagements with 43 companies over the period predominantly through active private engagement on specific issues. The top four topics of engagement are shown in the table below.

Number of engagements	Area or topic engaged on
70	Climate change
38	Labour standards
34	Corporate governance
32	Environmental stewardship

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

Bank of America Corp

Engagement action

- Engaged with Bank of America's Lead Independent Director, the Head of ESG, Head of Investor Relations as well as the Assistant General Counsel to discuss the bank's net zero and climate strategy, the board's involvement, as well as a brief discussion on the company's stance around performing a racial equity audit
- While the bank has a net zero strategy in place, it seems to substantially lag behind its peers with implementation
- Caused by a limited amount of scenarios used, unambitious timelines for target reporting, not considering potential withdrawals, as well as not fully incorporating themes like deforestation and biodiversity in their risk framework.

Verdict

- The board seems to be regularly briefed, but not fully involved in driving the strategy. The assumption is a lack of general knowledge and training.
- The company asked on feedback regarding their approach towards a racial equity audit, which they'd want to avoid but focus on disclosure instead. Columbia Threadneedle will provide feedback in writing.

Equinor ASA

Milestone target

- The company has set a target to achieve net zero emissions across scopes 1, 2 and 3 by 2050 and developed a comprehensive strategy to accompany this target.
- They have gradually iterated their approach over the past few years, and whilst the approach is not Paris aligned in the short term, it represents good progress.

M&G

M&G has worked with issuers and arrangers across a range of ESG themes over the reporting year, of which 40% of these were ESG informed. The developments over the year are as follows:

- **Residential Mortgage Backed Securities (RMBS), Auto & Consumer Asset Backed securities (ABS) engagements:**
 - involved in with AMIC and AFME to influence companies to provide better ESG disclosure in new issue meetings.
 - result has been a standardised ESG questionnaire, which incorporates a lot of our in-house developed ESG questionnaire, that issuers can complete in conjunction with new issue transactions.
- **Leveraged Loans and Collateralised Loan Obligations (CLO) engagements** were focused on steering ELFA on 2 working groups:
 - One to set a “Best Practise Guide on Manager Disclosure of Corporate ESG Profiles and Internal ESG Frameworks”. Through this we hope to set the minimum standards with respect to disclosure and influence better ESG behaviour.
 - The second working group is in relation to “Standardisation of ESG related Data Reporting” with the goal of increasing loan level reporting on negative screening and carbon emissions / footprint. In the commercial property sector we have been involved in ESG workstreams with CREFC to improve valuation report disclosure and set a minimum ESG charter with respect to environmental reporting.

Two examples of M&G’s engagement are set out below:

Frost CMBS (Q4 21)

- ESG pillar: Environmental
- Topic: Emission Disclosure
- M&G engaged with the sponsor via the arranger to obtain better disclosure of environmental factors affected by the operations of the assets.
- The CMBS proceeds from this deal were subsequently used to refinance energy efficient warehousing assets.

Vita Scientia (Q1 22)

- ESG pillar: Environmental
- Topic: Emissions Disclosure
- M&G engaged with the sponsor via the arranger to obtain better disclosure on environmental factors affected by the operations of the assets, with a focus on EPC certificates.

In addition to the Engagements M&G have conducted within the ABS market, M&G have also made significant progress to calculate carbon emissions, using proprietary methodology curated by an internal Credit Analyst Team, for Auto Loan exposure. This methodology aims to:

- Calculate CO2 emissions for every Auto ABS transaction
- Significantly improve coverage where there is a lack of data from external sources
- Allow output to drive engagement with issuers to reduce carbon emissions across transactions
- Enhance carbon intensity reporting to clients

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

Environmental	Social	Governance
Environmental Data of the collateral in applicable ABS securities (e.g. emissions of vehicles in Auto ABS, EPC data of real estate in RMBS)	Employee Engagement, Diversity and Inclusion of sponsor/originator	Assessment of Documentation/Legal Risks associated with the Transaction
Sponsor/Originator Environmental Intents and Targets	Assessment of potential predatory practices of originator	Transparency of data regarding the transaction and transparency of originator
	Access and Affordability of underlying assets	Cyber Security/Data Protection
	Product Quality and Safety of underlying assets	Management of the Legal and Regulatory Environment

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	N/A (though occasionally ISS for other funds)

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.