

London & Quadrant Housing Trust Staff Benefits Plan for the year ending 31 March 2023

Welcome to the Trustees' Statement of how they implemented the policies and practices in the Plan's Statement of Investment Principles ('SIP') during the year ending 31 March 2023.

This statement covers the DB section of the Plan.

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Plan's stewardship policy as set out in the Statement of Investment Principles during the period from 1 April 2022 to 31 March 2023.

The DB section of the Plan provides you with benefits on a defined benefit ('DB') basis. This means that the size of the benefits paid to you when you retire will depend on your salary and the length of your service.

What is the Statement of Investment Principles ('SIP')?

The SIP sets out the investment principles and practices the Trustees follow when governing the Plan's investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used and the Trustees' approach to responsible investing (including climate change).

This Implementation Statement is in respect of the Plan's SIP that was in place over the 12 months to 31 March 2023. The last review of the Plan's SIP was completed in August 2022.

The main change to the SIP centred around the implementation of the Plan's investment strategy de-risking which was agreed and implemented in the year ending 31 March 2022 but which had not been updated for in the SIP. An addendum was also added to the SIP which now holds the Plan's target asset allocation.

During the Plan year, the Plan materially deviated from the target allocations set out in the SIP. The previous strategic allocation became unsustainable as collateral requirements of the Plan's hedging portfolio increased, requiring a larger Protection/Matching holding for the same level of hedge. As at the end of the Plan year, the Plan's investment strategy was still under review.

If you want to find out more, you can find a copy of the Plan's SIP at <https://www.lqpensionplan.co.uk/>

What is this Implementation Statement for?

Every year, the Trustees are required to prepare an Implementation Statement, which sets out how they have complied with the Plan's SIP relating to DB benefits during the last Plan year.

Overall, the Trustees are satisfied that:

- **The Plan's DB investments have been managed in accordance with the SIP during the period; and**
- **The provisions in the SIP remain suitable for the Plan's DB members.**

How the Plan's investments are governed

The primary objective of the DB section of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefit basis.

The Trustees have overall responsibility for how the Plan's investments are governed and managed in accordance with the Plan's Trust Deed and Rules as well as Trust law, pensions law and pension regulations.

Over the past year there were two additions to the Trustees with Jasmin Bryan joining as a Trustee, and Joanne Fairbairn replacing Richard Butcher as Chair of Trustees. The Trustees have delegated day-to-day investment decisions; such as which investments to buy and sell, to the investment managers for the DB section.

The Trustees undertook the following training / actions during the last year to ensure that their knowledge of investment matters remains up to date:

Date	Topic	Aim	Trainer
September 2022	Interest Rate and Inflation	Give Trustees an overview of the Plan's sensitivity to interest rates and inflation including the process of de and re leveraging events on the Plan's LDI funds.	Hymans Robertson LLP
December 2022	Gilt market volatility	Update the Trustees on the ongoing gilt market volatility and how this had impacted the Plan	Hymans Robertson LLP
March 2023	Investment Platform	Introduce Trustees to key features of investment platform and explain the advantages and disadvantages of its implementation for the Plan.	Hymans Robertson LLP

On an ongoing basis the Trustees monitor how well their investment adviser meets the objectives agreed with them, which are designed to align with the Trustees' objectives and investment strategy set out in the SIP. The current set of DB objectives is as follows:

- Advise on a suitable investment strategy, and amendments to the strategy, to achieve a target return to support an affordable level of contributions from the sponsor.
- Implement a strategy, and amendments to the strategy, that delivers the target returns whilst minimising the associated risk and takes opportunities to reduce risk when it is affordable to do so.
- Deliver an investment approach that reflects the Plan's cashflow position and expected future cashflow position and provides sufficient liquidity.
- Provide advice on cost efficient implementation of the Trustees' investment strategy, including but not limited to advice on the use of suitable benchmarks, active or passive management and selection of managers.
- Provide relevant and timely advice.

- Develop Trustees' knowledge and understanding of the Plan's investment strategy, its implementation and wider investment matters.
- Provide suitable reporting for the Trustees to understand the Plan's progress towards its investment objectives.
- Ensure advice to the Trustees complies with relevant pensions regulations, legislation and supporting guidance.

The Trustees are satisfied that during the last year:

- **The Plan's DB governance structure was appropriate;**
- **The Trustees have maintained their understanding of investment matters; and**
- **Their investment advisers met the agreed objectives.**

How the investment strategy is managed

The objective and rationale for the investment strategy is set out in the Plan's current SIP on pages 1 to 3.

In September 2022, the Trustees carried out an Investment Strategy review based on the preliminary results of the 2022 Actuarial valuation. However, given the market volatility experienced soon after it was agreed to suspend the implementation of this review.

At the March 2023 Trustee meeting it was agreed to re-review the investment strategy in light of market changes with the results presented at the June 2023 meeting.

How investments are chosen

The Trustees review the performance of the investment managers and mandates on a regular basis against a series of metrics, including, but not limited to, financial performance against the benchmark and objectives of the mandate and the management of risks. Material deviation from performance targets may result in the mandate being formally reviewed.

The Trustees monitor the performance of the funds used by the DB section of the Plan by:

- Reviewing quarterly investment reports; and
- Engaging with the investment adviser.

Over the year, the Trustees monitored fund performance relative to the manager's respective benchmarks and targets on a quarterly basis.

The Trustees are satisfied that during the last year:

- **The Plan's overall investment strategy was appropriate;**
- **The actions taken by the managers to navigate market conditions were appropriate.**

The expected risks in the DB section of the Plan

The investment risks and returns relating to the DB section of the Plan are described in the SIP on pages 1 to 53.

The Trustees' views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what types of assets and areas of the world the Plan invests in over the longer-term) and the style of management adopted by the Plan.

The Trustees believe the main investment risks described in the SIP have not changed materially over the year.

The Trustees are satisfied that the current expected rates of investment return for the types of funds described in the SIP are still reasonable relative to the risks.

The Trustees are satisfied that through a diversified portfolio, systematic risks can be mitigated, and accept that it is not possible to make specific provision for all possible eventualities.

Ability to invest / disinvest promptly

It is important that member benefits can be received promptly, and that the Plan's investments can be realised quickly if required, as set out on page 3 of the SIP. The Trustees also ensure that the Plan has a robust process for the administration team processing cash payments to/from the Plan and to/from the investment funds.

The Trustees are satisfied that money can be invested in and taken out of the majority of DB investments without delay, as set out in the SIP.

Portfolio turnover within funds

The Trustees monitor the performance of the assets (net of costs) on a quarterly basis and any material deviation in performance relative to target returns or benchmarks will warrant an investigation into the activity carried out by the fund manager, including the buying and selling of assets. In this way, the Trustees indirectly monitor portfolio turnover and the associated transaction costs.

Short-term changes in the level of turnover may be expected when a manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover might indicate a shift in the amount of risk the manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustees.

Over the year, the Trustees have monitored performance for all the funds on a quarterly basis and discussed performance with the Plan's investment advisors. Whilst there has been significant volatility in returns due to market difficulties, the Trustees have not identified any instances of material deviations in performance which would warrant further investigation into portfolio turnover.

Conflicts of interest

The Trustees are yet to explicitly review conflicts of interest in the management of the Plan's assets. Over the year, the managers have not disclosed any potential or actual conflict.

The Trustees will consider the appropriate means to review and monitor conflicts of interest over the next reporting period.

Responsible Investment

The Trustees believe that responsible investing covers both sustainable investment and effective stewardship of the assets the Plan invests in.

The Trustees' approach to sustainable investing has not changed during the last year. The Trustees are satisfied that during the year the Plan's investments were invested in accordance with the policies on sustainable investing and consideration of financially material factors set out in the SIP.

Sustainable Investment

The Trustees believe that investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (called 'ESG' factors) can have on the value of the Plan's investments.

The Trustees have considered the duration of the Plan's liabilities when choosing and reviewing the funds.

The Trustees' approach to sustainable investing has not changed during the last year.

Policy Implementation

In line with the SIP, no specific actions over the past year have been considered with respect to non-financially material factors in the development and implementation of the Plan's investment strategy.

As outlined on page 6 of the SIP, the Trustees have delegated voting and engagement activity in respect of the underlying assets to the Plan's investment managers. The Trustees believe 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 Trustees' own engagement activity is focused on its dialogue with the investment managers which is undertaken in conjunction with the investment adviser. As the Trustees invests via an investment platform, there is no direct relationship between the Trustees and the investment managers. The Trustees accept that investment managers will not notify the Trustees about any particular stewardship activities.

Stewardship policy

The Trustees' stewardship (voting and engagement) policy sets out how the Trustees will behave as an active owner of the Plan's assets, which includes the Trustees' approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with their investment managers and any other stakeholders.

The Plan's stewardship policy is reviewed on a periodic basis. The Trustees have committed to reviewing the managers' stewardship policies on a periodic basis.

The Trustees and their investment advisers remain satisfied that the stewardship policies of the managers and, where appropriate, the voting policies remain suitable for the Plan.

Voting activity

The Trustees seek to ensure that their managers are exercising voting rights and where appropriate, monitor managers' voting patterns. The Trustees also monitor investment managers' voting on particular companies or issues that affect more than one company.

The Plan does not own any listed equities. Rather, the Plan invests in units of funds and it is these funds which own the listed equities. The Trustees' investment managers have reported on how votes were cast for the equities in each of these funds as set out in the table below.

	BlackRock Dynamic DGF	Ruffer Absolute Return Fund	L&G Emerging Markets Equity
Proportion of Plan assets	8.9%	9.3%	2.2%

No. of meetings eligible to vote at during year	893	77	4,231
No. of resolutions eligible to vote on during year	11,775	1,305	36,506
% of resolutions voted	92.0%	100.0%	99.9%
% of resolutions voted with management	94.0%	94.2%	79.5%
% of resolutions voted against management	5.0%	5.7%	18.4%
% of resolutions abstained	1.0%	0.1%	2.1%
% of meetings with at least one vote against management	29.0%	41.6%	53.9%

'DGF' stands for Diversified Growth Fund, which invests in a range of assets, including equities with voting rights.

The resolutions that BlackRock voted against management the most on over the Plan year were mainly in relation to insufficient progress on climate-related disclosures, concerns about remuneration, board oversight and risk management in high profile situations. The resolutions that Ruffer voted against management the most on over the Plan year were mainly in relation to shareholder resolution on climate change targets and gender pay gap. The resolutions that LGIM voted against management the most on over the Plan year were mainly in relation to insufficient climate risk management, absence of diverse board and disclosure and requirement for separation of Board Chair and CEO.

Significant votes

The Trustees have asked BlackRock, Ruffer and LGIM to report on the most significant votes cast within the portfolios they manage on behalf of the Plan. Managers were asked to explain the reasons why votes identified were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. From the managers' reports, the Trustees have identified the following votes as being among those of greater relevance to the Plan:

BlackRock

Date	Company	Subject (theme and summary)	Manager's vote and rationale
11 May 2022	Equinor ASA	Environmental – Instruct company to stop all exploration activity and test drilling for fossil energy resources.	Abstain – BlackRock withheld their vote as proposal is not in shareholders' best interests.
19 May 2022	The Home Depot, inc.	Corporate Structure – Require independent board chair Environmental – Report on efforts to eliminate deforestation in supply chain	Against – BlackRock voted against as the company has a designated lead director who fulfils the requirements appropriate to such role. For – BlackRock voted in favour because the company does not meet their expectations for disclosure of natural capital policies and/or risk.

25 May 2022	Amazon.com, Inc	<p>Director election & shareholder rights – approve election of director.</p> <p>Workplace environment – Commission a Third Party Audit on Working Conditions</p>	<p>Against – BlackRock voted against the election of Judith A.McGrath as ability to effectively represent shareholders’ best interests is not demonstrated.</p> <p>Against– BlackRock voted against the commission as the company already provides sufficient disclosure and reporting regarding this issue or is already enhancing its relevant disclosures.</p>
26 May 2022	McDonald's Corporation	<p>Environmental – Report on efforts to reduce plastic use</p>	<p>Against – BlackRock voted against as the company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.</p>

Ruffer

Date	Company	Subject (theme and summary)	Manager’s vote and rationale
11 May 2022	Equinor ASA	<p>Environmental –Approve company’s energy transition plan</p>	<p>For – Ruffer voted for Equinor’s transition plan due to their strong decarbonisation efforts. Equinor excels in offshore wind initiatives and has shown business success in that area. Ruffer’s engagement with Equinor has led them to disagree with ISS’ evaluation.</p>
12 May 2022	BP Plc	<p>Environmental –Approve shareholder resolution on climate change targets</p>	<p>Against – Ruffer voted against the shareholder resolution after evaluating BP’s climate change initiatives, recognising their industry leadership. This assessment aligned Ruffer with management’s pursuit of clean, reliable and affordable energy.</p>
25 May 2022	Meta Platforms, Inc	<p>Social – Report on child sexual exploitation online</p>	<p>For – Ruffer voted in favour as Meta has recently faced controversy over allegations of not identifying instances of child exploitation on its platform. Ruffer believed that shareholders would benefit from additional information on how the company is managing the risks related to child sexual exploitation, including risks associated with end-to-end encryption technologies.</p>

LGIM

Date	Company	Subject (theme and summary)	Manager’s vote and rationale
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18 May 2022	China Construction Bank Corporation	Climate Impact Pledge – Elect Graeme Wheeler as Director	Against – LGIM voted against the resolution under LGIM’s Climate Impact Pledge as the Company has not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. As members of the Risk Committee, these directors are considered accountable for the bank’s climate risk management.
8 February 2023	Pinduoduo Inc.	Gender Diversity – Elect George Yong-Boon Yeo as Director	Against – LGIM voted against the resolution due to their expectation that a company should have at least one-third women on the board. LGIM views gender diversity as a financially material issue for their clients.
31 May 2022	Hon Hai Precision Industry Co., Ltd.	Corporate Structure (Joint Chair/CEO) – Elect Liu Yang Wei as Non-independent Director	Against - LGIM voted against the resolution as 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 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.

Engagement activity

The Trustees receive annual reporting on each manager’s engagement activity. The following table summarises the key engagement activity for the 12 month period ending 31 March 2023.

Manager	Voting rights / engagements	Main topics engaged on
BlackRock	Voting rights as this fund invests in equities. The team initiated 383 engagements with companies on an ongoing basis over the year.	Climate risk management, Business Oversight, Human Capital Management, Corporate Strategy, Board Composition & Effectiveness, Remuneration.
Ruffer	Voting rights as this fund invests in equities. The team initiated 15 engagements on an ongoing basis over the year.	Climate Change, Diversity, Independence or Oversight, Leadership, Remuneration, Capital Allocation
LGIM	Voting rights as this fund invests in equities.	Climate change, Diversity, Nomination and Succession, Public Health, Remuneration and Board composition

	The team initiated 196 engagements with companies on an ongoing basis over the year.	
Barings	No voting rights as this is a fixed income portfolio. Barings do not report on a fund specific basis. Their Fixed Income team initiated 457 engagements.	Climate Change, Natural Resource Use/Impact, Reporting, Risk Management, Strategy/Purpose, Human and labour rights, Diversity
Columbia Threadneedle	No voting rights as these funds are only synthetically exposed to equities through derivatives. The team initiated 17 engagements with counterparties over the year.	Climate change, Labour standards, Environmental Stewardship, Corporate Governance
Insight	No voting rights as this is a fixed income portfolio. The team initiated c.50 engagements across c.40 entities	Governance concern and ESG constraints, environmental and social impacts, environmental risks.
BNY Mellon	No voting rights as this is a fixed income portfolio. BNY Mellon directly engaged 18 times with issuers over the year.	Climate change, Reporting, Risk Management, Human Capital Management, Capital Allocation

Use of a proxy adviser

The Trustees' investment managers BlackRock, Ruffer and LGIM have made use of the services of Institutional Shareholder Services ("ISS"), a proxy voting advisor, over the Plan year.

While the services of ISS have been used by BlackRock, Ruffer and LGIM, the Trustees have also sought to compare the extent of the manager's alignment with their proxy advisor, ISS, in order to judge the independence of their voting processes. Below is a summary of the voting activity of BlackRock, Ruffer and LGIM relative to the proxy advisor.

Manager	No. meetings voted at	Of which they voted against ISS recommendation (%)
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BlackRock BIJF Dynamic Diversified Growth Fund	893	0.0%
Ruffer Absolute Return Fund	77	7.1%
LGIM Emerging Markets Equity	4231	6.8%

From the above we note that BlackRock, Ruffer and LGIM voted on a significant majority of occasions with the proxy advisor.

Review of policies

The Trustees have committed to reviewing the managers' responsible investment ('RI') policies on an ongoing basis. The review will consider managers' broader approach to RI issues and any change in approach by the managers over the period. The Trustees will also consider changes to their managers' voting policies.

The Trustees and their advisors remain satisfied that the responsible investment policies of the managers and, where appropriate, the managers' voting policies, remain suitable for the Plan.