London & Quadrant Housing Trust Staff Benefits Plan for the year ending 31 March 2024

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 2024.

This statement covers the Defined Benefit (DB) section of the Plan.

Introduction

The Trustees have prepared this Implementation Statement in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and subsequent amending legislation, and those of the Pensions Regulator's General Code of Practice. It sets out how the Trustees have complied with the London & Quadrant Housing Trust Staff Benefits Plan Stewardship Policy and Statement of Investment Principles during the period from 1 April 2023 to 31 March 2024.

Overall, the Trustees are satisfied that:

- The Plan's investments have been managed in accordance with the Plan's Stewardship Policy during the period.
- The Plan's investments have been managed in accordance with the remainder of the Plan's Statement of Investment Principles; and
- The provisions of the Statement of Investment Principles remain suitable for the Plan's members.

What is the Statement of Investment Principles (SIP)?

The Statement of Investment Principles sets out the 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, as well as 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 2024. The last review of the Plan's SIP was completed in December 2023.

The main changes to the SIP over the year were as follows:

- **Investment Strategy Update**: The Plan's investment strategy was revised with the introduction of a Global Equity fund to replace the Equity-linked LDI fund. Additionally, a full disinvestment was made from one of the two Diversified-Growth funds in the Plan to reduce overall volatility. These updates considered the increased collateral requirements of the Plan's hedging portfolio, with a larger Protection holding required to maintain the same level of inflation and interest rate hedge.
- **Collateral Waterfall Arrangement Update**: An automated framework was introduced to the Plan's collateral waterfall arrangement. This framework categorises the pool of collateral assets into different tiers and specifies the order in which assets should be sold to meet collateral calls. In determining the order, liquidity and the expected return of each asset source are considered:
  - Tier One: Physical Equities
  - Tier Two: Asset-Backed Securities
  - Tier Three: Investment Grade Bonds

This update is expected to result in a gradual reduction in the allocation to equities over time, aligning with the long-term de-risking trajectory of the Plan.

The Plan's Statement of Investment Principles can be consulted online at [DB Statement Of Investment Principles 2023 | L&Q (lqpensionplan.co.uk)]

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.

There have been no changes to the Trustees or the governance processes during the last year. 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.

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. The new investment strategy was subsequently implemented over the course of Q4 2023.

The Trustees plan to carry out the next formal investment strategy review in 2025/26, following the triennial actuarial valuation.

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.

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 pages 5 and 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.

The Plan's investment strategy was revised with the introduction of L&G Future World Global Equity fund to replace the Columbia Threadneedle Equity-linked LDI fund during Q4 2023. Additionally, a full disinvestment was made from the BlackRock Dynamic DGF, as noted on page 1 of this statement. However, please note that the information in this and subsequent sections regarding these three funds covers the entire Plan year from 1 April 2023 to 31 March 2024.

	BlackRock Dynamic DGF*	Ruffer Absolute Return Fund	L&G Emerging Markets Equity	L&G Future World Global Equity
Proportion of Plan assets (as at 31 March 2024)	0%	9.1%	2.4%	12.1%
No. of meetings eligible to vote at during year	570	64	4,238	5,134
No. of resolutions eligible to vote on during year	7,166	1,020	33,716	52,212
% of resolutions voted	94.0%	100.0%	99.9%	99.9%
% of resolutions voted with management	94.0%	94.9%	80.1%	80.3%

% of resolutions voted against management	5.0%	3.1%	19.0%	19.5%
% of resolutions abstained	1.0%	2.0%	0.9%	0.3%
% of meetings with at least one vote against management	26.0%	26.6%	54.3%	63.3%

'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
03 April 2023	Broadcom, Inc.	**Governance –** Elect Director Check Kian Low	**Against** – BlackRock voted against the election of Director Check Kian Low because the pay is not properly aligned with performance and/or peers.
23 May 2023	Shell. Plc.	**Environmental –** Approve Company's Energy Transition Progress. **Environmental –** Align 2030 GHG Emissions Reduction Target (Scope 3) with Paris Agreement Goals	**For**– BlackRock voted for Shell Energy Transition Progress. The decision to support was based on BlackRock's assessment that management had established clear policies and action plans to manage climate-related risks and have demonstrated continued delivery against their Energy Transition Strategy. They believe Shell's reporting and approach are aligned with clients' long-term financial interests; therefore, supported the management resolution. **Against** – BlackRock voted against the request because it was either not clearly defined, overly prescriptive, outside the scope of shareholder responsibilities, or unduly restrictive on the company.

02 June 2023	Alphabet, Inc.	**Corporate –** Approve Recapitalization Plan for all Stock to Have One-vote per Share	**For** – BlackRock voted for as they believe that one vote per share is in the best interest of long-term shareholders.

Ruffer

Date	Company	Subject (theme and summary)	Manager’s vote and rationale
27 April 2023	BP Plc	**Environmental** – Approve shareholder resolution on climate change targets	**Against** – Ruffer voted against the Shareholder Resolution on Climate Change Targets. BP have outlined a credible transition strategy with appropriate decarbonisation targets. The resolution asks BP to align its 2030 Scope 3 aims with the Paris Agreement. Ruffer believe this is unnecessary given BP's existing net zero strategy and the Board’s stance. Additionally, BP cannot control global Scope 3 emissions alone, as carbon emissions persist worldwide, making this requirement unfair, especially given BP’s long-cycle investment decisions.
28 April 2023	Bayer AG	**Governance** – Approve Remuneration Report	**For –** Ruffer voted in favour of the 2022 compensation report. Previously, they voted against this report for the past two AGMs. However, during this period, Bayer have appointed a new Chairman (Winkeljohann) and recruited an external CEO (Anderson), demonstrating thoughtful engagement on remuneration with shareholders. Ruffer view these leadership changes as crucial for executing Bayer's strategy, signalling a positive shift in corporate governance. The increased shareholder engagement reflects improved transparency and disclosure, which bodes well for future interactions. Ruffer see these changes as positive overall and wish to support the Board's efforts to deliver shareholder value.
02 May 2023	ArcelorMittal	**Governance –** Re-elect Lakshmi Niwas Mittal as Director	**For –** Ruffer voted in favour, in line with the company but against ISS. ISS has flagged that Mr. Mittal is over boarded.

			Ruffer do not believe that Mr Mittal's commitments are excessive and believe that he is still able to commit the time required for his role at the company. As a result, they have voted for his re-election.

LGIM (Emerging Markets Equity)

Date	Company	Subject (theme and summary)	Manager's vote and rationale
28 August 2023	Reliance Industries Ltd.	**Board Leadership** – Approve Reappointment and Remuneration of Mukesh D. Ambani as Managing Director	**Against** – LGIM voted against as they expect the roles of Board Chair and CEO to be separate. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.
19 January 2024	Sasol Ltd.	**Climate –** Approve Climate Change Report	**Against** – LGIM voted against as they expect companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
12 June 2023	Standard Bank Group Ltd.	**Diversity** – Re-elect Nonkululeko Nyembezi as Director	**Against –** LGIM voted against as they expect companies to have a diverse board, with at least one-third of board members being women. LGIM also expect companies to increase female participation both on the board and in leadership positions over time.

LGIM (Future World Global Equity)

Date	Company	Subject (theme and summary)	Manager's vote and rationale
24 May 2023	Amazon.com, Inc.	**Diversity** – Report on Median and Adjusted Gender/Racial Pay Gaps	**For** – LGIM voted in favour, as they expect companies to disclose meaningful information on their gender pay gap and the initiatives to close it. Such disclosure allows investors to assess the progress of the company's diversity and inclusion efforts.
16 May 2023	JPMorgan Chase & Co.	**Climate –** Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	**For** – LGIM voted in favour as they generally support resolutions that seek additional disclosures on managing financing activities in line with published targets. LGIM believe that detailed information on how a company intends to achieve its 2030 targets (focusing on the 'how'

			rather than the 'what', including specific activities and timelines) can help focus the board's attention on the necessary steps and timeframe, while providing assurance to stakeholders.
27 April 2023	Johnson & Johnson.	**Board Leadership** – Elect Director Anne M. Mulcahy	**Against –** LGIM voted against as they expect companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.

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 2024.

Manager	Voting rights / engagements	Main topics engaged on
BlackRock	Voting rights as this fund invests in equities. The team initiated 331 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 32 engagements on an ongoing basis over the year.	Climate Change, Human and Labour Rights, Independence or Oversight, Remuneration, Natural Resource Use/Impact
LGIM (Emerging Markets Equity)	Voting rights as this fund invests in equities. The team-initiated 205 engagements across the LGIM fund with companies on an ongoing basis over the year.	Climate Impact Pledge, Deforestation, Diversity, Nomination and Succession, Corporate Strategy, Remuneration and Board composition
LGIM (Future World Global Equity)	Voting rights as this fund invests in equities. The team-initiated 795 engagements across the LGIM fund with companies on an ongoing basis over the year.	Climate change, Deforestation, Climate Impact Pledge, Diversity, Nomination and Succession, Public Health, Remuneration. Inequality and Board composition

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 260 engagements.	Financial and Reporting, Climate Change, Natural Resource Use/Impact, Human and Labour Rights, Board Effectiveness, Public Health
Columbia Threadneedle	No voting rights as these funds are only synthetically exposed to equities through derivatives. The team initiated 16 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 60-70 engagements across c.55 entities	Climate Change, Environmental Stewardship, Business Conduct, Human Rights and Labour Standards.
BNY Mellon	No voting rights as this is a fixed income portfolio. BNY Mellon directly engaged 27 times with issuers over the year	Climate change, Pollution, Inequality, Public Health, Remuneration, Shareholder rights. Financial Reporting, Risk Management, Human and 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 (%)
BlackRock BIJF Dynamic Diversified Growth Fund	570	0.2%
Ruffer Absolute Return Fund	64	9.6%
LGIM Emerging Markets Equity	4238	7.4%

LGIM Future World Global Equity	5134	11.1%

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.