

Implementation Statement, covering the Scheme Year from 1 January 2022 to 31 December 2022

The Trustees of the Hammerson Group Management Limited Pension and Life Assurance Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustees have had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions \(“DWP’s guidance”\) in June 2022.](#)

1. Introduction

The Trustees recognise their responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. As detailed in the Investment Objectives in the Scheme’s SIP, a bulk annuity contract (‘full Scheme buy-in’) was secured with Just Retirement Ltd (“Just”) on 13 December 2022. The Trustees have effectively delegated to its bulk annuity provider the exercise of rights attaching to investments, including voting rights.

The Trustees have in their opinion, followed the Scheme’s voting and engagement policies during the Scheme Year, by delegating to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustees took a number of steps to review the Scheme’s new and existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement. In the quarterly performance report, the Trustees receive updates on LCP’s responsible investment scores for all of the funds that it invests in, which are updated after each research meeting held with a manager.

In November 2022, the Trustees received training on the new DWP Stewardship guidance.

Following the introduction of DWP’s guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their bulk annuity provider on specific ESG factors. The Trustees discussed and agreed stewardship priorities for the Scheme which were:

- Climate change; and
- Corporate Transparency.

The Trustees communicated these priorities to Just Retirement Ltd.

3. Description of voting behaviour during the Scheme Year

All of the Scheme’s holdings in listed equities in the year ended 31 December 2022 were within pooled funds and the Trustee has delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees have not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme’s funds that hold equities as follows:

- BlackRock Dynamic Diversified Growth Fund; and
- L&G Diversified Fund.

3.1 Description of the voting processes

BlackRock

BlackRock's Investment Stewardship team reviews and updates its Global Corporate Governance and Engagement Principles and market-level voting guidelines annually, which form the basis of BlackRock's approach to voting and engagement. BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock's engagement priorities are global in nature and are informed by its observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients.

The Investment Stewardship team consists of three regional teams (Americas, Asia-Pacific, and Europe, Middle East and Africa), with analysts within each team generally deciding how to vote for the companies that they cover, with input from investment colleagues as required, and in accordance with the Principles and guidelines noted above.

BlackRock subscribes to research from proxy advisory firms (ISS and Glass Lewis), only as one of many inputs into its vote analysis process (meaning voting decisions are not outsourced). Other inputs used include the company's own reporting, BlackRock's engagement and voting history with the company, the views of BlackRock's active investors, public information and ESG research. BlackRock therefore mainly utilises the proxy services to help determine which companies to prioritise for additional research and engagement. Generally, decisions on which companies to engage with are based on BlackRock's assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive.

L&G

L&G's voting and engagement activities are driven by ESG professionals in its Investment Stewardship team. All client voting decisions are therefore made by the team in line with the relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents. 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, with the aim of fully integrating voting with engagement and to ensure consistent messaging to firms.

The team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares and for additional information only (meaning final voting decisions are made by the team, but voting recommendations are used to enhance research and ESG assessment tools). To ensure its proxy provider votes in accordance with its position on ESG, L&G has a custom voting policy in place with specific voting instructions that apply to all markets globally. The Investment Stewardship team retains the ability to override any vote decisions that were based on its custom voting policy, for example due to additional information gained when engaging with a firm, and monitors votes including a regular manual check of votes that have been input on the ProxyExchange platform.

L&G holds an annual 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 Investment Stewardship team. The views expressed at the roundtable form a key consideration in the development of L&G's engagement policies, which are reviewed on an annual basis, with ad-hoc feedback also taken into account.

3.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below.

| | Fund 1 | Fund 2 |
|--|---------------------------------|------------------|
| Manager name | BlackRock | L&G |
| Fund name | Dynamic Diversified Growth Fund | Diversified Fund |
| Total size of fund at end of reporting period | £1,530m | £10,234m |
| Value of Scheme assets at end of reporting period | £0.0m | £0.0m |
| Number of equity holdings at end of reporting period | 577 | 6,496 |
| Number of meetings eligible to vote | 898 | 9,567 |

| | | |
|--|--------|--------|
| Number of resolutions eligible to vote | 11,899 | 98,795 |
| % of resolutions voted | 94.0 | 99.8 |
| Of the resolutions on which voted, % voted with management | 94.0 | 77.4 |
| Of the resolutions on which voted, % voted against management | 5.0 | 21.9 |
| Of the resolutions on which voted, % abstained from voting | 1.0 | 0.7 |
| Of the meetings in which the manager voted, % with at least one vote against management | 31.0 | 72.1 |
| Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor | 0.0 | 12.5 |

3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme’s asset managers who hold listed equities, is set out below.

The Trustees did not inform their managers which votes it considered to be most significant in advance of those votes. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA’s criteria¹ for creating this shortlist

The Trustees have interpreted “significant votes” to mean those that:

- align with the Trustees’ stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- are shareholder resolutions which received material support; and/or
- the subject of the resolution aligned with the investment manager’s engagement priorities or key themes.

The Trustees have reported on three of these significant votes per fund only as the most significant votes.

BlackRock

Dynamic Diversified Growth Fund

BlackRock currently considers a vote to be significant if it relates to its Global Principles and Engagement Priorities, which cover seven key themes; boards and directors; auditors and audit-related issues; capital structure, mergers, asset sales, and other special transactions; compensation and benefits; environmental and social issues; general corporate governance matters and shareholder protections and shareholder proposals.

The Trustees believe that BlackRock’s voting behaviour has been aligned with their stewardship priorities.

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk/vote-reporting-template-for-pension-scheme-implementation-statement-guidance-for-trustees). Trustees are expected to select “most significant votes” from the long-list of significant votes provided by their investment managers.

- **ExxonMobil Corporation, USA, 25 May 2022. Vote:** Against **Outcome of the vote:** Fail.

Relevant stewardship priority: Climate change

Summary of resolution: Shareholder proposal to reduce company emissions and hydrocarbon sales

Management recommendation: Against

Rationale: The shareholder proposal requested that the company “set and publish medium-and long-term targets to reduce the greenhouse gas (GHG) of the Company’s operations and energy products (Scope 1, 2, and 3) consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C.” ExxonMobil has already set targets to reduce Scope 1 and 2 emissions and achieve net zero emissions by 2050. They have not yet set targets for Scope 3 emissions. BlackRock voted against extending the existing targets on the grounds of methodological complexity, regulatory uncertainty, concerns about double-counting, and lack of direct control by companies regarding Scope 3 emissions. BlackRock have considered the proposal to be overly prescriptive and not in the interest of their clients.

Approximate size of holding: BlackRock did not share this information

Criteria against which this vote has been assessed as “most significant”: BlackRock considered this vote to be significant as it related to an environmental issue. The Trustees consider it to be significant since it relates to one of the Trustees’ chosen stewardship priorities – Climate change.

Outcome and next steps: BlackRock look forward to continuing to engage with the company on scope 3 emissions and learning about the avenues for consistent frameworks across the oil and gas industry.

- **Anthem, Inc., USA, 18 May 2022. Vote:** For. **Outcome of the vote:** Fail.

Relevant stewardship priority: Corporate transparency

Summary of resolution: Shareholder proposal to request a racial impact audit and report

Management recommendation: Against. BlackRock did not share whether they communicated the intention to vote against management recommendation ahead of the meeting.

Rationale: BlackRock voted for this proposal because it believes an independent audit at a company such as Anthem, one of the largest health companies in the U.S., presents an opportunity for Anthem to identify and mitigate any potential racial impact-related risks in connection with the company’s products and services, as well as assess the effectiveness of their ongoing programs and initiatives to advance DEI and promote health equity. As such, an audit could provide meaningful value in assisting management and the board in identifying potential material impacts of the company’s operations on internal and external stakeholders. BlackRock did not consider the proposal to be unduly burdensome, prescriptive or constraining on management.

Approximate size of holding: BlackRock did not share this information.

Criteria against which this vote has been assessed as “most significant”: BlackRock considered this vote to be significant as it to a significant social issue. The Trustees considered it to be significant since it relates to one of the Trustees’ chosen stewardship priorities – Corporate transparency.

Outcome and next steps: BlackRock will continue to engage with Anthem and monitor the company’s progress on matters related to human capital management and DEI through regular engagements with firm executives and directors.

- **Netflix, Inc., USA, June 2, 2022. Vote:** For. **Outcome of the vote:** Fail.

Relevant stewardship priority: Corporate transparency

Summary of resolution: Shareholder proposal for a report on lobbying payments and policy

Management recommendation: Against. BlackRock did not share whether they communicated the intention to vote against management recommendation ahead of the meeting.

Rationale: BlackRock have stated that they look to companies that engage in political activities to develop, maintain, and disclose robust processes, including effective board oversight, to guide these activities and mitigate associated risks. They believe that it is helpful to investors' understanding if companies provide accessible and clear disclosures so that investors can easily understand how companies' political activities support their long-term strategy, including on their stated public policy priorities. In 2021 Netflix issued their first disclosure on corporate political activities, which, includes an explanation of how they engage in the public policy process, board oversight of those activities, links to their political contributions and filed lobbying contribution report and total amounts contributed. However, BlackRock believes shareholders would benefit from Netflix making the information more readily accessible for stakeholders by disclosing a report directly on the company's website. BlackRock did not consider the proposal to be unduly burdensome, prescriptive or constraining on management.

Approximate size of holding: BlackRock did not share this information.

Criteria against which this vote has been assessed as "most significant": BlackRock considered this vote to be significant as it relates to the governance of Netflix's political activities. The Trustees considered it to be significant since it relates to one of the Trustees' chosen stewardship priorities – Corporate transparency.

Outcome and next steps: BlackRock did not specify any next steps.

L&G

Diversified Fund

L&G determines the voting situations it deems to be significant to include but not be limited to: high profile votes which have such a degree of controversy that there is high client and/or public scrutiny; votes where there is significant client interest for a vote which has been directly communicated by clients to the Investment Stewardship team; sanction votes as a result of a direct or collaborative engagement; and votes linked to an L&G engagement campaign in line with L&G's 5-year ESG priority engagement themes.

The Trustees believe that L&G's voting behaviour has been aligned with their stewardship priorities.

- **Prologis, Inc. , USA, 5 April 2022. Vote: Against. Outcome of the vote: Pass.**

Relevant stewardship priority: Corporate transparency

Summary of resolution: Resolution to elect Director Hamid R. Moghadam

Management recommendation: For. L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

Rationale: L&G 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 L&G have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.

Approximate size of the fund's holding (as a % of the Scheme's investment in the L&G Diversified Fund): 0.37%

Criteria against which this vote has been assessed as "most significant": L&G considered this vote to be significant as it was in application of an escalation of L&G's vote policy on the topic of the combination of the board chair and CEO. The Trustees considered it to be significant since it relates to one of the Trustees' chosen stewardship priorities – Corporate transparency.

Outcome and next steps: L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

- **Royal Dutch Shell Plc, UK, 25 May 2022. Vote: Against. Outcome of the vote: Pass.**

Relevant stewardship priority: Climate change

Summary of resolution: Resolution to approve the Shell Energy Transition progress update

Management recommendation: Against

Rationale: L&G voted against the resolution, though not without reservations. L&G acknowledges the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, L&G remains concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.

Approximate size of the fund's holding (as a % of the Scheme's investment in the L&G Diversified Fund): 0.29%

Criteria against which this vote has been assessed as "most significant": L&G considers this vote significant as it is an escalation of their climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote. The Trustees considered it to be significant since it relates to one of the Trustees' chosen stewardship priorities – Climate change.

Outcome and next steps: L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

- **NextEra Energy, Inc., USA, 19 May 2022. Vote:** Against. **Outcome of the vote:** Pass.

Relevant stewardship priority: Corporate transparency

Summary of resolution: Resolution to elect Director Rudy E. Schupp

Management recommendation: For. L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

Rationale: L&G voted against this resolution as they expect 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. They are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue.

Approximate size of the fund's holding (as a % of the Scheme's investment in the L&G Diversified Fund): 0.34%

Criteria against which this vote has been assessed as "most significant": L&G views diversity as a financially material issue for our clients, with implications for the assets they manage on their behalf. The Trustees considered it to be significant since it relates to one of the Trustees' chosen stewardship priorities – Corporate transparency.

Outcome and next steps: L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.