ICR Pension Scheme
Implementation Statement

Introduction

Under new regulatory requirements now in force, the Trustees are required to produce an annual Implementation Statement setting out how voting and engagement policies set out in the Statement of Investment Principles ("SIP") in respect of the Scheme year from 1st April 2020 to 31st March 2021 have been followed and describing any voting behaviour by or on behalf of the Trustees during the Scheme year. This is the first such statement produced.

Summary of recent SIP updates

The SIP was updated in September 2020 to comply with regulatory changes. These changes incorporated the Shareholder Rights Directive II (SRD II) into UK law and required pension scheme SIPs to be updated by 1 October 2020 to include further details on:

- The arrangements with investment managers, including how they are incentivised to behave and invest in line with the Trustees' policies and how the Trustees will monitor managers' performance, fees and portfolio costs
- Engagement policy, including the exercise of the rights (including voting rights) attaching to the investments

SRD II applies more widely than just to pension schemes and the directive aims to further encourage appropriate long-term investment decision making and engagement.

Under SRD II, the Trustees are now also required to publish an annual implementation statement noting the extent to which the voting and engagement policies had been acted on and describing any voting behaviour by or on behalf of the Trustees over the relevant scheme year.

In addition to the above updates, the appendix sections of the SIP were moved to a separate, newly created document – the Investment Policy Implementation Document (IPID).

Summary of the Scheme's Engagement Policy

The Trustees believe that good stewardship is an important part of general scheme governance. Stewardship refers to the responsible allocation and management of capital to create long-term value and sustainable benefits for the economy, the environment and society.

From September 2020, several updates were made to the Scheme's engagement policy in order to bring it in line with the latest SRD II regulations. Below is a summary of these updates:

- Direct engagement with underlying companies (as well as other relevant persons) of which the Trustees own shares and debt is carried out by the Scheme's investment manager. The Trustees expect their investment manager to practice good stewardship.
- The Trustees' investment advisers assess the ability of the Scheme's investment manager(s) in engaging with underlying companies in order to promote the long-term success of the investments. When selecting, monitoring and de-selecting investment managers, stewardship is factored into the decision-making process to the appropriate level for the specific asset class in question.
- Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Scheme's equity investments which are exercised by the Scheme's investment manager.

How has the engagement policy been followed?

The Trustees' ability to influence investment managers' voting and stewardship activities will depend on the nature of the investments held. As all of the Scheme's assets are invested in pooled funds – where the Trustees hold units in a fund rather than having any direct ownership rights over the underlying assets – the Trustees have more limited scope to influence managers' voting and stewardship activities.

Direct engagement is carried out by the Scheme's Investment Manager, LGIM. There were no new investment managers appointed over the Scheme year. LGIM is a signatory to the UK Stewardship code and the Trustees rely on them flagging non-compliance with the code. LGIM did not flag any non-compliance with the code over the Scheme year.

As noted above, the Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to its investment manager, LGIM. However, the Trustees have scrutinised LGIM's voting policy and continue to review LGIM's voting services on an ongoing basis to ensure these remain in line with the Trustees' expectations.

Roughly half of the Scheme's assets are invested in LGIM global equity funds, where voting is relevant. However, as the Scheme's equity exposure is via pooled investment vehicles the Trustees did not directly exercise voting rights over the period. Voting rights are instead exercised by LGIM. LGIM use ISS's 'ProxyExchange' electronic voting platform to vote, and all voting decisions are made by LGIM (no voting decisions are outsourced). LGIM have provided the Trustees with a summary of their voting policies and have not highlighted any recent amendments to these policies. A summary of LGIM's voting over the Scheme year including significant votes cast is included in the appendix.

The Trustees are comfortable that LGIM's stated policy on voting has been followed and have no concerns with the reporting and voting actions carried out by LGIM over the Scheme year.

Summary

The Trustees are comfortable that the voting and engagement policies have all been adequately followed over the Scheme year. The Trustees will consider disclosing more information in future implementation statements, as appropriate and as industry guidelines and investment manager reporting in this area evolves.

Appendix

Voting (LGIM)

The LGIM equity fund that the Scheme is invested in is a pooled fund arrangement, and as such, it is not necessary for LGIM to consult with the Trustees before voting. However, as part of its wider due diligence of the implementation of investment strategies, the Trustees request LGIM to produce information that demonstrate that they are exercising good stewardship.

The Trustees' investment advisor circulated voting information templates to LGIM, who then directly filled these in (**see tables below**).

Key Voting Statistics	
Value of Trustee assets (as at 31 Dec 2020)	£47,872,661.06
Number of holdings at period end	1,920
Number of meetings eligible to vote	2,275
Number of resolutions eligible to vote	29,478
% of resolutions voted	99.89%
% of resolutions voted with management	81.23%
% of resolutions voted against management	18.57%
% of resolutions abstained	0.20%
% of meetings with at least one vote against management	5.89%
% of resolutions where manager voted contrary to recommendation of proxy adviser	0.43%
Any use of proxy voting services during the period?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.

Most significant votes

Below are details of a sample of LGIM's 5 most significant votes during the relevant reporting period.

Question	Significant Vote 1
Company name	Qantas Airway Limited (23 Oct 2020)
Summary of resolution	Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan and Resolution 4: Approve Remuneration Report.
How manager voted	LGIM voted against resolution 3 and supported resolution 4.
Where manager voted against management, did the manager communicate intent to company ahead of vote?	Given our engagement, LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to the remuneration committee.
Rationale (brief) for voting decision	The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns.
Outcome of vote	About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view.
Implications of the outcome (e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?)	We will continue our engagement with the company.
On which criteria – with reference to PLSA pack/guidance – has the	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.

manager assessed this vote to be "significant"?	

Question	**Significant Vote 2**
Company name	Whitehaven Coal (22 November 2020)
Summary of resolution	Resolution 6: Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.
How manager voted	LGIM voted for the resolution.
Where manager voted against management, did the manager communicate intent to company ahead of vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale (brief) for voting decision	The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal – Japan, South Korea and China – have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.
Outcome of vote	The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant environmental harm'. As the company is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds – and select exchange-traded funds – were not invested in the company.
Implications of the outcome (e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?)	LGIM will continue to monitor this company.
On which criteria – with reference to PLSA pack/guidance – has the	The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.

manager assessed this vote to be "significant"?	

Question	**Significant Vote 3**
Company name	International Consolidated Airlines Group (7 September 2020)
Summary of resolution	Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.
How manager voted	We voted against the resolution.
Where manager voted against management, did the manager communicate intent to company ahead of vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale (brief) for voting decision	The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company to state our support during the pandemic. We also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. We were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. We noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, we have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive

	director, was also recently appointed by the board. He will be starting his new role in January 2021.
Outcome of vote	28.4% of shareholders opposed the remuneration report.
Implications of the outcome (e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?)	LGIM will continue to engage closely with the renewed board.
On which criteria – with reference to PLSA pack/guidance – has the manager assessed this vote to be "significant"?	LGIM considers this vote significant as it illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.

Question	**Significant Vote 4**
Company name	Pearson (18 September 2020)
Summary of resolution	Resolution 1: Amend remuneration policy was proposed at the company's special shareholder meeting, held on 18 September 2020.
How manager voted	We voted against the amendment to the remuneration policy.
Where manager voted against management, did the manager communicate intent to company ahead of vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale (brief) for voting decision	Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO. LGIM spoke with the chair of the board earlier this year, on the

	board's succession plans and progress for the new CEO. We also discussed the shortcomings of the company's current remuneration policy. We also spoke with the chair directly before the EGM, and relayed our concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. We also asked that the post-exit shareholding requirements were reviewed to be brought into line with our expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.
Outcome of vote	At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.
Implications of the outcome (e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?)	Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.
On which criteria – with reference to PLSA pack/guidance – has the manager assessed this vote to be "significant"?	Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and our outstanding concerns, we deem this vote to be significant.

Question	**Significant Vote 5**
Company name	Barclays (7 May 2020)
Summary of resolution	Resolution 29: Approve Barclays' Commitment in Tackling Climate Change and Resolution 30: Approve ShareAction Requisitioned Resolution
How manager voted	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.
Where manager voted against management, did the manager communicate intent to company ahead of vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale (brief) for voting decision	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.
Outcome of vote	Resolution 29 - supported by 99.9% of shareholders and Resolution 30 - supported by 23.9% of shareholders (source: Company website)

Implications of the outcome (e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?)	The hard work is just beginning. Our focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. We plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.
On which criteria – with reference to PLSA pack/guidance – has the manager assessed this vote to be "significant"?	Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.