

The ISS Platinum Pension Plan 31 March 2021 Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Plans (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual engagement policy implementation statement ("EPIS") which outlines the following:

- Explain how and the extent to which it has followed its stewardship and engagement policy, which is outlined in the Statement of Investment Principles ("SIP").
- Describe the voting behaviour by, or on behalf of the Trustee of the ISS Platinum Pension Plan ("the Trustee") (including the most significant votes cast) during the Plan year and state any use of the services of a proxy voter during that year.

This document sets out the details as outlined above. The EPIS for The ISS Platinum Pension Plan ("the Plan") has been prepared by the Trustee and covers the year 1 April 2020 to 31 March 2021.

Stewardship Policy

The relevant extract of the SIP covering the Plan's voting and engagement policies over the reporting is as follows:

"The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Plan and its beneficiaries.

The Trustee expects the Plan's investment managers to use their influence as major institutional investors to carry out the Trustee's rights and duties as a shareholder including voting, along with, where relevant and appropriate, engaging with underlying investee companies, to promote good corporate governance, accountability, and positive change.

The Trustee reviews the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Plan's investment managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

If an incumbent investment manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager and seek a more sustainable position, but may look to replace the investment manager."

The ISS Platinum Pension Plan
31 March 2021
Implementation Statement (continued)

Plan Stewardship Activity Over the Year

Updating the Stewardship Policy

Throughout the year, the Trustee has been proactive to ensure the Plan appropriately updated the Stewardship policy in the SIP.

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Plan's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

Ongoing Monitoring

The Trustee receives regular investment updates from its investment adviser, including on matters relating to responsible investment. The Trustee's ongoing monitoring takes different forms, including investment performance monitoring, ad-hoc market updates and annual investment risk disclosures.

In December 2019, the Trustee put in place a set of objectives for their investment advisers for the 2020 calendar year covering the delivery of strategic investment advice, compliance, monitoring and service standards. The Trustee expects its investment adviser to keep the Trustee informed on the performance of the investment managers including the reporting of engagement and stewardship activity.

Investment performance monitoring

Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Trustee by Aon. The report includes Environment, Social and Governance ("ESG") ratings and highlights any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversations with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Investment risk disclosures

The Trustee reports on the risks associated with its investments annually in the investment risk disclosure report which accompanies the annual report and accounts. In this report, the Trustee monitors the risks associated within the Plan's defined benefit investments, concentrating on market risks, credit risk, interest rate risk, inflation risk and other risks.

The ISS Platinum Pension Plan 31 March 2021 Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Plans (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual engagement policy implementation statement ("EPIS") which outlines the following:

- Explain how and the extent to which it has followed its stewardship and engagement policy, which is outlined in the Statement of Investment Principles ("SIP").
- Describe the voting behaviour by, or on behalf of the Trustee of the ISS Platinum Pension Plan ("the Trustee") (including the most significant votes cast) during the Plan year and state any use of the services of a proxy voter during that year.

This document sets out the details as outlined above. The EPIS for The ISS Platinum Pension Plan ("the Plan") has been prepared by the Trustee and covers the year 1 April 2020 to 31 March 2021.

Stewardship Policy

The relevant extract of the SIP covering the Plan's voting and engagement policies over the reporting is as follows:

"The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Plan and its beneficiaries.

The Trustee expects the Plan's investment managers to use their influence as major institutional investors to carry out the Trustee's rights and duties as a shareholder including voting, along with, where relevant and appropriate, engaging with underlying investee companies, to promote good corporate governance, accountability, and positive change.

The Trustee reviews the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Plan's investment managers and ensure its managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

If an incumbent investment manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager and seek a more sustainable position, but may look to replace the investment manager."

The ISS Platinum Pension Plan
31 March 2021
Implementation Statement (continued)

Plan Stewardship Activity Over the Year

Updating the Stewardship Policy

Throughout the year, the Trustee has been proactive to ensure the Plan appropriately updated the Stewardship policy in the SIP.

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Plan's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

Ongoing Monitoring

The Trustee receives regular investment updates from its investment adviser, including on matters relating to responsible investment. The Trustee's ongoing monitoring takes different forms, including investment performance monitoring, ad-hoc market updates and annual investment risk disclosures.

In December 2019, the Trustee put in place a set of objectives for their investment advisers for the 2020 calendar year covering the delivery of strategic investment advice, compliance, monitoring and service standards. The Trustee expects its investment adviser to keep the Trustee informed on the performance of the investment managers including the reporting of engagement and stewardship activity.

Investment performance monitoring

Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Trustee by Aon. The report includes Environment, Social and Governance ("ESG") ratings and highlights any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversations with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Investment risk disclosures

The Trustee reports on the risks associated with its investments annually in the investment risk disclosure report which accompanies the annual report and accounts. In this report, the Trustee monitors the risks associated within the Plan's defined benefit investments, concentrating on market risks, credit risk, interest rate risk, inflation risk and other risks.

The ISS Platinum Pension Plan
31 March 2021
Implementation Statement (continued)

Voting and Engagement Activity – Equity and Multi-asset Funds

The Plan invest in the following funds:

Manager	Fund Name
Legal & General Investment Management	Global Equity Fixed Weights (60:40) Index Fund
Newton Investment Management Limited	BNY Mellon Real Return Fund

All managers use the services of respective proxy voting organisations for various services that may include research, vote recommendations, administration and vote execution.

Legal & General Investment Management ("LGIM")

Voting Policy Summary

LGIM makes use of the proxy advisory firm Institutional Shareholder Services' ("ISS") proxy voting platform to electronically vote and augment its own research and proprietary ESG assessment tools but does not outsource any part of the strategic decision. LGIM has put in place a custom voting policy with specific instructions that apply to all markets globally, which seeks to uphold what LGIM considers to be the minimum best practice standards all companies should observe. LGIM retains the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagements with the company have provided additional information.

Voting Statistics

Global Equity Fixed Weights (60:40) Index Fund over year to 31 March 2021	
Number of resolutions eligible to vote on over the year to 31/03/2021	44,680
% of resolutions voted on for which the fund was eligible	100.0%
Of the resolutions on which the fund voted, % that were voted against management	16.3%
Of the resolutions on which the fund voted, % that were abstained from?	0.2%

Voting Example

Pearson – Remuneration Policy Co-investment award vote

At an extraordinary general meeting ("EGM") on 18 September 2020, LGIM voted against a resolution to amend a remuneration policy proposed by the UK education company Pearson. This resolution sought shareholder approval to grant a co-investment share award, an unusual step for a UK company. If this resolution was not passed then the proposed new CEO would not take up the role. Many shareholders were keen for the company to appoint a new CEO but were not happy with the plan being proposed. Shareholders were not able to vote separately on the two distinct items and felt forced to accept a less-than-ideal remuneration structure for the new CEO.

LGIM spoke with the Chair of the Board on the Board's succession plans and progress for the new CEO and the shortcomings of the company's remuneration policy. LGIM also spoke with the Chair directly before the EGM and relayed its concerns that the performance conditions were weak and should be re-visited to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with LGIM's expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.

The ISS Platinum Pension Plan
31 March 2021
Implementation Statement (continued)

The outcome of the vote was that 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO. 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.

The vote was deemed significant on the basis that 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 LGIM's outstanding concerns, this vote was deemed to be significant.

Engagement Policy Summary

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

Engagement Example – Proctor & Gamble Company ("P&G")

Proctor & Gamble ("P&G") – Use of Palm Oil

An example of LGIM's engagement at a firm level was with consumer goods corporation P&G. P&G uses both forest pulp and palm oil as raw materials within its household goods products. A key issue identified was that the company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Furthermore, two of P&G's suppliers of palm oil were linked to illegal deforestation.

Following a resolution proposed by another stakeholder, Green Century Capital Management, that P&G should report on its effort to eliminate deforestation in its supply chain, LGIM engaged with P&G, Green Century and with the Natural Resource Defence Counsel to fully understand the issues and concerns.

From this engagement, although P&G introduced a number of measures to ensure its business does not contribute to deforestation, LGIM felt P&G was not doing as much as it could. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC-certified sources.

The ISS Platinum Pension Plan
31 March 2021
Implementation Statement (continued)

Newton Investment Management Limited ("Newton")

Voting Policy Summary

Newton employs a variety of research providers that aid it in the vote decision-making process. Newton uses the proxy advisory firm ISS for the purpose of administering proxy voting (notification and lodgement of votes), as well as for the firm's research reports on individual company meetings. It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of ISS will take precedence. It is also only in these circumstances when Newton may register an abstention given its stance of either voting in favour or against any proposed resolutions.

Newton's head of Responsible Investment is responsible for the decision-making process when reviewing meeting resolutions for contentious issues. In place of a strict proxy voting policy, Newton prefers to take into account a number of considerations including a company's individual circumstances, the investment rationale, engagement activities, guidelines and best practices.

Voting Statistics

<u>Newton IM Real Return Fund over year to 31 March 2021</u>	
Number of resolutions eligible to vote on over the year to 31/03/2021	1307
% of resolutions voted on for which the fund was eligible	99.2%
Of the resolutions on which the fund voted, % that were voted against management	14.6%
Of the resolutions on which the fund voted, % that were abstained from?	0%

Voting Example

LEG Immobilien AG ("LEG") – Remuneration Policy

In August of 2020, Newton voted against management of the German property company LEG. The vote was against the proposed pay arrangements due to their lack of alignment with performance. The executive long-term compensation scheme was entirely cash-based, and although this was indicated to be performance-linked, no disclosures were provided on performance targets. The outcome of the vote came to 22.2% against approval of the proposed policy. Newton believe that it is likely that the company will seek to address concerns in an effort to avoid similarly high opposition.

Newton categorise a significant vote as those where over 20% of votes were in opposition to the resolution.

Engagement Policy Summary

Newton considers engagement as purposeful communication with a corporate entity; where specific ESG matters were one of the primary reasons for contacting the company in order to influence change, raise a concern or seek comfort.

Should there be a lack of information available publicly or in relation to a particular policy, provision or practice that is considered suboptimal, Newton engages with companies prior to determining ESG scores and suitability for inclusion in their investment strategies.

Newton has found it more effective to raise areas identified for engagement following the initial investment. Newton also prioritise companies based on their securities which an analyst will assess according to the materiality of issues to be raised and likelihood of success. Newton prioritises engagement based on areas that are a current focus for the manager such as climate change and cobalt mining. Reactive engagement is often at the company's request and includes subjects such as executive pay, guidance on reporting and ESG factors.

The ISS Platinum Pension Plan
31 March 2021
Implementation Statement (continued)

Engagement Example

Alcon – Corporate Reporting

In 2020 Newton engaged with the Swiss medical company Alcon involving corporate reporting. Following the company's demerger from former parent company Novartis, Newton sought more detailed reporting in relation to ESG policies, priorities, practices, targets and performance and also better alignment of executive pay arrangements with the long-term interests of shareholders.

The engagement was led by Newton's head of Responsible Investment. Newton held an engagement meeting with a variety of individuals from the company that represented legal, general counsel, company secretary, investor relations and human resources.

The engagement achieved Newton's first two objectives of raising the issues and setting-out expectations. In relation to the third objective of the company enacting subsequent changes, Newton consider this to be partially achieved given the enhancements that the company has made to its reporting of ESG matters; which Newton expect to be developed further during 2021.

Newton has no plans to escalate the engagement further given outcomes of initial discussions, though expects to continue engaging with the company should it retain an invested interest.

Engagement activity – Alternatives

The Trustee does not expect its Liability Driven Investment ("LDI") manager, LGIM, to engage with respect to the Plan's investments in LDI and cash holdings, given the nature of these asset classes. This is because the underlying assets (i.e. gilts and/or derivatives to achieve the leveraged exposure to gilts) do not have any voting rights, and do not allow for any meaningful engagement i.e. there is no recourse for gilt holders to sway the UK Government on its actions or counterparties/clearing houses for the derivatives. The Trustee does not believe that this introduces material risks to the Plan, nor does it affect the liability matching role of the LDI portfolio within the context of the wider Plan portfolio.

Nonetheless, the Trustee acknowledges that LGIM, as a large institutional asset manager, holds an important position of influence as a major investor and the Trustee expects LGIM to engage with the companies it invests in, as set out in its engagement policy above, to enhance the value of assets in the economy.

In summary

Based on the activity over the year by the Trustee and its service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that all of its applicable investment managers were able to disclose strong evidence of voting and engagement activity.

The Trustee expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement.