

Institute of Chartered Accountants Staff Pensions Fund - Implementation Statement for 2019 DB Regulations

Statement of Compliance with the Institute of Chartered Accountants Staff Pension Fund's Stewardship Policy for the year ending 31 March 2021

Introduction

This is the Trustee statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Fund's Stewardship Policy during the period from 1 April 2020 to 31 March 2021.

The majority of the Fund's assets are invested in liability-hedging assets, insurance policies, bonds and other debt-based investments, whilst the equity investments amounted to c.6% of Fund assets at the end of the reporting period (at the beginning of the reporting period the proportion of assets invested in equities was c16.5%). Post the end of the reporting period, a full disinvestment from equities has been implemented.

However, during the reporting period, the Trustee recognised the importance of Stewardship activity in relation to its equities, but also balanced this with a significant focus on engagement with its non-equity investment managers.

Stewardship policy

The Trustee Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Fund's assets which includes the Trustee's approach to;

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

The Fund's Stewardship Policy is reviewed on an annual basis in line with the Fund's Statement of Investment Principles ("SIP"), which was last completed in September 2020.

The following changes were made to the Stewardship Policy during the last year:

- to further outline of the risks the Fund is exposed to;
- explanation on the Trustee's policy in relation to portfolio turnover, manager remuneration and duration of mandates;
- explanation of financially and non-financial material factors in consideration of investment arrangements, including ESG factors;
- explanation on the policy for engagement with key stakeholders relating to its investments;
- expansion of the explanations of the Trustee policy in regard to delegation of investment decisions to the managers to cover appropriateness of the investments and the goal to preserve or enhance long term value;
- explicit acknowledgement that the Trustee considers any conflicts of interest arising in the management of the Fund and its investments and ensures the investment manager has an appropriate conflicts policy.

You can review the Scheme Stewardship Policy, which can be found within the Fund’s Statement of Investment Principles, at www.icaew.com/-/media/corporate/files/icaew-staff-pension-fund/statement-of-investment-principles-2020.ashx?la=en.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Fund’s investment managers. The Trustee believes it is important that their 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 Trustee’s own engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. The Trustee meets regularly with their managers on a rolling basis and the Trustee considers the manager’s exercise of their stewardship both during these meetings and through reporting provided by the manager and their investment adviser.

The Trustee also monitors their compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Fund’s Stewardship Policy over the last year.

Voting activity

The Trustee seeks to ensure that their equity manager is exercising voting rights and where appropriate, to monitor the manager’s voting patterns. The Trustee also monitors the investment manager’s voting on particular companies or issues that affect more than one company where that is deemed appropriate.

Newton Investment Management Limited has reported on how votes were cast in their mandate as set out in the table below.

Newton Investment Management Limited	BNY Mellon Global Equity Fund
No. of meetings eligible to vote at during the year	65
No. of resolutions eligible to vote on during the year	1043
% of resolutions voted	98.8%
% of resolutions voted with management	81.0%
% of resolutions voted against management	19.0%
% of resolutions abstained	0%
% of meetings with at least one vote against management	49%

The resolutions which Newton voted against management the most on over the year were mainly in relation to:

- General governance;
- Executive compensation and remuneration;
- Board of Directors and;
- Corporate Structure.

Significant votes

On behalf of the Trustee, Hymans Robertson has asked Newton to report on the most significant votes cast within the portfolio they manage on behalf of the Fund as part of their reporting. These explanations include the

reasons why votes 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. The following votes are considered as being of greatest relevance to the Fund:

Date	Company	Subject (theme and summary)	Manager's vote and rationale
30 Sep 20	Alibaba Group Holdings Limited	Elect directors (re-election of two members to the governance committee)	Against (management proposal) – Their primary concern was with the low levels of independence on the board.
23 Feb 21	Apple Inc.	Executive officers' compensation and principles of executive compensation programme	Against (management proposal) – Their primary concern was the absence of performance-based hurdles that determine the vesting of long-term pay award. They also noted the long-tenures of the board members, raising questions surrounding their independence and objectivity. For (shareholder proposal) – They supported the proposal that sort consideration of the pay ratio between named executives and wider employees when determining executive pay. Introducing compensation principles allows the compensation committee to better consider these factors when determining executive pay.
11 Mar 21	Applied Materials Inc.	Independent Board Chairman	For (shareholder proposal) – They supported the consideration of fundamental governance improvements, including a requirement for an independent chair and the pay ratio between named executive officers and wider employees when considering executive pay.

Newton voted against management across a wide range of topics including remuneration, governance and Board structure. They take an active role when engaging with companies to better understand the reasons behind a resolution and vote against the majority if they believe a better outcome can be achieved.

Engagement activity

The Trustee holds meetings with the Fund's investment managers on a regular, rolling, basis where stewardship issues are discussed in further detail. Over the last 12 months, the Trustee has met with two of their three managers. The Trustee has discussed the following issues over the course of the year.

Date	Fund manager	Subject discussed	Outcome
20/10/2020	Insight	Mandate overview, performance, positioning and risk.	Trustees were satisfied that the manager was performing in line with expectations.
17/11/2020	Alcentra	Mandate overview, performance, positioning, risk and personnel changes in senior level management.	The overall performance and risk management was appropriately managed and that the changes in senior management were reasonable.

			It was agreed that Alcentra are effectively managing the Fund's assets.
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The Trustee did not meet Newton during the year given the size of the mandate relative to other managers and the expected termination and full disinvestment (which was completed just after the period end). However, they did receive and review regular quarterly reports on manager performance, risk exposures, stewardship and ESG areas and were satisfied the manager was operating as required.

Use of a proxy adviser

The Trustee's investment managers have made use of the services of the following proxy voting advisors over the Fund year:

Manager	Proxy Advisor used
Newton Investment Management Limited	ISS (Institutional Shareholder Services) - Newton utilise ISS for the purpose of administering proxy voting (notification and lodgement of votes), as well as its research reports on individual company meetings. Only in the event where they recognise a potential material conflict of interest do they follow the voting recommendations of ISS.

Review of policies

The Trustee has committed to reviewing the managers' RI policies on an annual basis. This review was undertaken as part of training during the year and regular review of quarterly monitoring of their managers.

The Trustee and its advisors remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Fund.