

# **Pianoforte Supplies Pension Plan**

## **Implementation Statement**

### **11 December 2020**

#### **Glossary**

BlackRock	BlackRock Investment Management (UK) Limited
ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
Scheme	Pianoforte Supplies Pension Plan
Scheme Year	1 July 2019 to 30 June 2020
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

#### **Introduction**

An investment in equities (shares) brings with it an entitlement to vote at general meetings of the company whose shares are held. Some of the Scheme's assets are invested in equities and the Trustee's SIP includes wording relating to the Trustee's voting and engagement policies.

This Implementation Statement provides an assessment of how, and the extent to which, the voting and engagement policies described in the SIP were followed over the Scheme Year.

In addition, it summarises the voting record of the Scheme's investment manager and provides information on the significant votes made in respect of the Trustee's equity holdings. Information is also provided on the how the Scheme's investment manager makes use of the services of proxy voting advisers.

## **Relevant Investments**

The Scheme's assets are invested in pooled funds and some of those funds include an allocation to equities. Where equities are held, the investment manager has the entitlement to vote.

At the end of the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- BlackRock Aquila Life Currency Hedged World (ex UK) Equity Fund
- BlackRock Aquila Life UK Equity Index Fund
- BlackRock iShares Emerging Markets Index Fund

## **Voting and Engagement Policies in the SIP**

The Trustee revised the SIP during the Scheme Year with the first document in force over Period 1 and the second in force over Period 2 where:

- Period 1 applied from 1 July 2019 to 26 September 2019; and
- Period 2 applied from 27 September 2019 to 30 June 2020.

### Period 1 SIP Wording Relating to Voting and Engagement

The key points in this SIP relating to voting and engagement were:

- The Trustee invests in pooled funds and therefore accepts that responsibility for corporate governance and ongoing engagement with companies (including the exercise of voting rights) is delegated to the investment manager.

### Trustee's Assessment of Whether These Policies Were Followed

Over the course of Period 1, all the Scheme's assets were invested in pooled funds meaning, as stated in the SIP, engagement with companies (and the exercise of voting rights) was determined by the investment manager's own policies.

## Period 2 SIP Wording Relating to Voting and Engagement

A new SIP was prepared to ensure that the document would comply with new legislation which came into effect on 1 October 2019.

The key points in this SIP relating to voting and engagement (in addition to the wording contained in the previous SIP) were:

- The Trustee believes that financially material considerations, including ESG factors and the risks related to such factors, can contribute to the identification of investment opportunities and financially material risks.
- The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee believes that good stewardship can create and preserve value for companies and markets as a whole.
- Assessment of how ESG risks are mitigated and any aspects of a manager's stewardship policy that are deemed to be financially material will be factors considered by the Trustee when selecting and monitoring investment managers.
- The Trustee will normally select investment managers who are signatories to the UNPRI and who publish the results of their annual UNPRI assessment.
- The Trustee's policy in relation to the exercise of rights attaching to investments, and undertaking engagement activities in respect of investments, is that the Trustee wishes to encourage best practice in terms of stewardship.
- The Trustee expects that each investment manager will discharge its responsibilities in respect of investee companies in accordance with that investment manager's own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.
- The Trustee also expects that each investment manager will take ESG factors into account when exercising the rights attaching to investments and in taking decisions relating to the selection, retention and realisation of investments.
- The Trustee regularly monitors the position of the investment manager with regards to ESG matters.
- The Trustee recognises that the membership might wish the Trustee to engage with the underlying companies in which the Scheme invests with the objective of improving corporate behaviour to benefit the environment and society. However, the Trustee's priority is to select investment managers which are best suited to help meet the Trustee's investment objectives. In making this assessment, the Trustee will receive advice from its investment adviser. The Trustee recognises that the investment managers' own policies are likely to be focussed on maximising financial returns and minimising financial risks rather than targeting an environmental or societal benefit.

### Trustee's Assessment of Whether These Policies Were Followed

The Trustee has not changed its stance regarding the importance of good stewardship or on the way members' views on engagement should be reflected in the Scheme's investment strategy.

Over the course of period 2, the assets were invested in pooled investment vehicles and, consequently, it remained the case that responsibility for exercising voting rights was the responsibility of the investment manager.

The Trustee continues to regularly monitor the position of the investment manager with regards to ESG matters.

The Trustee did not directly monitor the governance policies of the Scheme's investment manager during Period 2. However, a review was undertaken, with assistance from the investment adviser, in the preparation of this statement (i.e. after the end of Period 2) and, looking forwards, the Trustee will complete similar reviews on an annual basis.

No new funds were selected over the course of Period 2.

The investment manager used by the Scheme continues to be a signatory to the UNPRI and the UK Stewardship Code.

### **The Investment Manager's Voting Record**

A summary of the investment manager's voting records is:

<b>Investment Manager</b>	<b>BlackRock</b>
<b>Period</b>	Year to 30 June 2020
<b>Number of votes</b>	153,000
<b>Split of votes:</b>	
<b>For</b>	97%
<b>Against</b>	3%
<b>Did not vote/abstained</b>	0%

#### Notes

*Split of votes may not sum to 100% due to rounding*

*These voting statistics are based on each manager's full voting record rather than votes related solely to the funds held by the Scheme.*

## Use of Proxy Investment Advisers

Investment Manager	BlackRock
Who is their proxy voting adviser?	Several Advisers
How is the proxy voting adviser used?	Proxy advisers provide information but voting is determined by BlackRock

## The Investment Manager's Voting Behaviour

The Trustee has reviewed BlackRock's voting behaviour by considering:

- broad statistics of BlackRock's voting record such as the percentage of votes cast for and against the recommendations of boards of directors (i.e. "with management" or "against management");
- the votes cast by BlackRock during the year ending 31 March 2020 on the most contested proposals in eight categories across the UK, the US and Europe; and
- statements made by BlackRock on the subjects of stewardship, corporate governance and voting.

The Trustee has also compared BlackRock's voting record with that of its peers over the same period.

The key observations from this analysis are set out below.

## Voting in Significant Votes

Based on information provided by its investment adviser, the Trustee has identified significant votes in eight separate categories. The Trustee considers votes to be more significant if they are closely contested. i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply "waved through". In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the eight categories based on shares held by the Scheme's investment manager are listed in the Appendix.

### **Description of BlackRock's Voting Behaviour**

BlackRock remains a signatory to the UNPRI and the UK Stewardship Code and provides details online relating to its corporate governance policies.

Analysis of the voting behaviour identifies that BlackRock seems more inclined to vote with management than is the case with many of its peers. BlackRock also participates in stock lending (so may not vote on stocks that are on loan) and active funds can 'go short' on stocks held within the manager's passive funds.

When it came to significant votes relating to proposals brought by shareholders, BlackRock opposed almost all of them. This included votes on environmental matters such as climate change, human rights and forced labour. The Trustee's adviser has asked BlackRock to comment further on this and, at the time of preparing this statement, a response was outstanding.

In January 2020, BlackRock indicated publicly that it is increasingly likely to vote against management when that management team is failing to make progress on climate change issues. Consequently, the Trustee expects to see this reflected in their future analysis of BlackRock's voting record

**Signed on behalf of the Trustee of the Pianoforte Supplies Pension Plan**

## Significant Votes

The table below records how BlackRock voted in the most significant votes identified by the Trustee.

	MeetingDate	Proposal	Votes For (%)	Votes Against (%)	BlackRock
<b>Audit &amp; Reporting</b>					
UNITED RENTALS INC	08/05/2019	Appoint the Auditors	50	50	For
LOCKHEED MARTIN CORPORATION	25/04/2019	Appoint the Auditors	50	50	For
ROYAL CARIBBEAN CRUISES LTD	30/05/2019	Appoint the Auditors	34	65	For
FERREXPO PLC	07/06/2019	Receive the Annual Report	67	33	Against
SOCIETE GENERALE SA	21/05/2019	Approve the Audit Report	71	29	For
<b>Shareholder Capital &amp; Rights</b>					
QUILTER PLC	16/05/2019	Issue Shares with Pre-emption Rights	49	51	For
JOHN MENZIES PLC	17/05/2019	Issue Shares with Pre-emption Rights	47	53	For
ORANGE S.A	21/05/2019	Allow Board to Use Delegations under Item 20 Above in the Event of a Public Tender Offer	47	53	Against
TELEPERFORMANCE SE	09/05/2019	Issue Shares for Cash	55	45	Against
AA PLC	05/06/2019	Issue Shares with Pre-emption Rights, in connection with Rights issue	56	44	For
<b>Pay &amp; Remuneration</b>					
E*TRADE FINANCIAL CORPORATION	09/05/2019	Advisory Vote on Executive Compensation	50	50	For
ADVANCE AUTO PARTS INC	15/05/2019	Advisory Vote on Executive Compensation	50	50	For
ATLANTIA SPA	20/04/2019	Approve Remuneration Policy	50	50	Against
NETFLIX INC	06/06/2019	Advisory Vote on Executive Compensation	50	50	For
ARCHER-DANIELS-MIDLAND COMPANY	01/05/2019	Advisory Vote on Executive Compensation	50	50	For
<b>Constitution of Company, Board &amp; Advisers</b>					
ATLANTIA SPA	20/04/2019	Appoint Directors (Slate Election) - Slate 2 Submitted by Institutional Investors (Assogestioni)	50	50	For
CITIZENS FINANCIAL GROUP INC	25/04/2019	Elect Terrance J. Lillis	50	50	For
AVERY DENNISON CORPORATION	25/04/2019	Elect Anthony K. Anderson	50	50	For
REGIONS FINANCIAL CORPORATION	24/04/2019	Elect Eric C. Fast	50	50	For
LOCKHEED MARTIN CORPORATION	25/04/2019	Elect James D. Taiclet, Jr.	50	50	For
<b>Merger, Acquisition, Sales &amp; Finance</b>					
ACS (ACTIVIDADES DE CONSTRUCCION Y SERVICIOS)	09/05/2019	Issue Convertible Bonds or Warrants	66	33	For
FERROVIAL S.A.	05/04/2019	Approve Total or Partial Sale of Assets of the Services Division of the Ferrovial Group	72	28	Against
AJ BELL PLC	22/01/2020	Approve Waiver on Tender-Bid Requirement Pursuant to the Grant of Options to AJ Bell Trust	79	20	For
INVESCO ASIA TRUST PLC	05/09/2019	Release the Directors from their obligation to put a voluntary winding-up resolution to Shareholders in 2020.	81	19	For
NORTH ATLANTIC SMALLER COMPANIES I.T. PLC	25/06/2019	Approve Rule 9 Waiver	34	17	Against
<b>Other Company Resolutions</b>					
XEROX CORPORATION	21/05/2019	Allow Proxy Solicitation	54	46	Against
DIGNITY PLC	13/06/2019	Approve Political Donations	57	42	For
DRAX GROUP PLC	17/04/2019	Approve Political Donations	56	40	For
TWENTYFOUR INCOME FUND LIMITED	19/09/2019	Meeting Notification-related Proposal	67	33	For
SHAFTESBURY PLC	31/01/2020	Meeting Notification-related Proposal	68	32	For
<b>Governance &amp; Other Shareholder Resolutions</b>					
UNITED RENTALS INC	08/05/2019	Shareholder Resolution: Written Consent	50	49	Against
FLOWERVE CORPORATION	23/05/2019	Shareholder Resolution: Written Consent	50	49	Against
THE TRAVELERS COMPANIES INC.	22/05/2019	Shareholder Resolution: Employment Issues	50	49	Against
KOHL'S CORPORATION	15/05/2019	Shareholder Resolution on Political Disclosure	50	50	Against
DOMINION ENERGY INC	07/05/2019	Approve Shareholder Proposal: Policy to Require an Independent Board Chair	49	49	Against
<b>Environmental &amp; Socially Focussed Shareholder Resolutions</b>					
MICROCHIP TECHNOLOGY INCORPORATED	20/08/2019	Shareholder Resolution: Report on Human Rights Risks in Operations and Supply Chain	51	48	Against
AMPHENOL CORPORATION	22/05/2019	Shareholder Resolution on Recruitment and Forced Labor Report	43	55	Against
DUKE ENERGY CORPORATION	02/05/2019	Shareholder Resolution: Report on Mitigating Health and Climate Impacts of Coal Use	41	57	Against
ROSS STORES INC	22/05/2019	Shareholder Resolution on Greenhouse Gas Emission Goals	41	59	For
APPLE INC	26/02/2020	Shareholder Resolution: Report on Freedom of Expression and Access to Information Policies	38	56	Against

### Note

Where the voting record has not been provided at the fund level, we have based our analysis on the shares held within the Scheme's pooled funds as at 31 March 2020. This means it is possible that some of the votes listed above may relate to companies that were not held within the Scheme's pooled funds at the date of the vote.