

Kawasaki Pension Fund

Implementation Statement

5 April 2020

Glossary

BlackRock	BlackRock Investment Management (UK) Limited
ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
Scheme	Kawasaki Pension Fund
Scheme Year	6 April 2019 to 5 April 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 Trustees' SIP includes wording relating to the Trustees' 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 Trustees' 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 fund which included an allocation to equities:

- BlackRock Dynamic Diversified Growth Fund

Voting and Engagement Policies in the SIP

The Trustees 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 6 April 2019 to August 2019; and
- Period 2 applied from August 2019 to 5 April 2020.

Period 1 SIP Wording Relating to Voting and Engagement

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

- As the Scheme invests in pooled arrangements, the Trustees accept that the assets are subject to the investment manager's own policies on social, environmental and ethical investment.
- Trustees wish to encourage best practice in terms of activism. The investment manager is therefore encouraged to discharge their responsibilities in respect of investee companies in accordance with the Statement drawn up by the Institutional Shareholders' Committee.
- The Trustees accept that by using pooled investment vehicles for its investments the day-to-day application of voting rights will be carried out by the investment managers. The Trustees have however reviewed the voting policies of each pooled fund and is comfortable with the arrangements in place.

Trustees' Assessment of Whether These Policies Were Followed

Over the course of Period 1, the assets were invested in pooled investment vehicles and, consequently, engagement with companies (and the exercise of voting rights) was determined by the investment manager's own policies.

The Trustees have considered the voting behaviour of the investment manager by considering the attached Annual Voting Report provided by First Actuarial.

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 were:

- Since the Trustee invests in pooled investment vehicles, it is accepted that the extent to which ESG factors will be used in the selection of suitable underlying investments will be determined by the investment managers' own policies on such matters.
- The Trustees do however consider the way in which ESG factors are taken into account as part of portfolio management. The Trustees take ESG-related risks seriously and, in the event that such risks are not adequately mitigated, then appropriate changes will be made to the fund range.
- As the Trustees invest in pooled funds, they have in effect delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the investment managers and encourages them to vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk.
- In addition, the Trustees' policies are that non-financial matters should not be taken into account in the selection, retention and realisation of investments.
- The Trustees wish to encourage best practice in terms of activism. The investment manager is therefore encouraged to discharge their responsibilities in respect of investee companies in accordance with the Statement drawn up by the Institutional Shareholders' Committee.
- The Trustees accept that by using pooled investment vehicles for its investments the day-to-day application of voting rights will be carried out by the investment managers. The Trustees have however reviewed the voting policies of each pooled fund and is comfortable with the arrangements in place.

Trustees' Assessment of Whether These Policies Were Followed

The Trustees have not changed their 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, engagement with companies (and the exercise of voting rights) was determined by the investment manager's own policies.

No new funds were selected over the course of Period 2, and no changes were made to the funds over the period based on ESG factors.

The Trustees did not directly encourage the manager to vote in certain ways, or review the voting policy of the fund during Period 2. However, a review was undertaken with assistance from the investment adviser in the preparation of this statement and, looking forwards, the Trustees will complete similar reviews on an annual basis. This included a review of information on significant votes in “Governance & Other” and “Environmental & Socially Focussed” categories.

The Investment Manager’s Voting Record

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

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

Notes

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

These voting statistics are based on the 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

Our fund manager's voting behaviour

We have reviewed the voting behaviour of our fund manager by considering the following:

- broad statistics of their 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 they cast to on the most contested proposals in eight categories across the UK, the US and Europe
- Statements made by our fund manager on the subjects of stewardship, corporate governance and voting

We have also compared the voting behaviour of our fund manager with their peers over the same period.

Voting in Significant Votes

Based on information provided by the Trustees' investment adviser, the Trustees have identified significant votes in eight separate categories. The Trustees consider 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. In addition, the Trustees considered the investment manager's overall voting record in significant votes (i.e. votes across all stocks not just the stocks held within the funds used by the Scheme).

Description of Voting Behaviour

BlackRock remain signatories to the UNPRI and the UK Stewardship Code and provide details online relating to their corporate governance policies.

However, BlackRock also participate 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.

We observed that BlackRock had a strong tendency to vote with management. In line with this, but in contrast to their peers, they voted against contested shareholder resolutions designed to address issues such as climate change, human rights and forced labour.

We find this to be unsatisfactory and our Investment Consultant has raised these concerns with BlackRock.

However, we note that, in January, BlackRock made public commitments to vote against management when they are failing to make progress on climate change issues.

We expect to see a more satisfactory voting record from BlackRock in the future but continue to monitor the situation.

There seems to be considerable pressure building to encourage BlackRock to become more active in certain areas, particularly on climate change related votes. The Trustees will review BlackRock's voting behaviour on an annual basis, and it will be interesting to see if the manager becomes more inclined to vote against management in future years.

Overall, the Trustees' assessment is that BlackRock's voting record is satisfactory, although the Trustees would like to see BlackRock take a more active stance regarding votes on ESG factors.

Conclusion

The Trustee has considered information provided by its investment adviser relating to the voting behaviour of the Scheme's investment manager. This information included voting behaviour in significant votes.

The Trustee has some concerns regarding BlackRock's voting record on environmental matters and will be discussing this with its investment adviser over the coming year. Subject to this point, the Trustee's assessment is that the Scheme's investment manager continues to undertake their stewardship responsibilities in line with their stated policies and in line with the Trustee's expectations.

Howard Dale

..... Date: 21 October 2020.

Signed on behalf of the Trustees of the Kawasaki Pension Fund

Significant Votes

The table below records how the Scheme's investment manager voted in the most significant votes identified by the Trustees.

	MeetingDate	Proposal	Votes For (%)	Votes Against (%)	BlackRock
Audit & Reporting					
LOCKHEED MARTIN CORPORATION	25/04/2019	Appoint the Auditors	50	50	For
INVESTEC PLC	08/08/2019	Investec Limited: Reappoint KPMG Inc as Joint Auditors of the Company	79	20	For
OXFORD INSTRUMENTS PLC	10/09/2019	Appoint the Auditors	91	9	For
ADIDAS AG	09/05/2019	Appoint the Auditors	93	7	For
MASCO CORPORATION	10/05/2019	Appoint the Auditors	93	7	For
Shareholder Capital & Rights					
CAPITAL & COUNTIES PROPERTIES PLC	03/05/2019	Issue Shares with Pre-emption Rights	65	35	For
MYLAN NV	20/06/2019	Issue Shares for Cash	67	32	Not known
KERING SA	24/04/2019	Approve Issue of Shares for Employee Saving Plan	32	68	For
ERSTE GROUP BANK AG	15/05/2019	Authorize Share Repurchase Program and Reissuance of Repurchased Shares to Key Employees	68	32	Against
FIAT CHRYSLER AUTOMOBILES N.V.	12/04/2019	Special Voting Shares	71	29	Against
Pay & Remuneration					
NETFLIX INC	06/06/2019	Advisory Vote on Executive Compensation	50	50	For
CLARKSON PLC	09/05/2019	Approve the Remuneration Report	50	47	Against/Abstain
THE WALT DISNEY COMPANY	11/03/2020	Advisory Vote on Executive Compensation	53	46	For
ORACLE CORPORATION	19/11/2019	Advisory Vote on Executive Compensation	58	42	Against
PREMIER OIL PLC	16/05/2019	Approve the Remuneration Report	58	42	For
Constitution of Company, Board & Advisers					
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
LOCKHEED MARTIN CORPORATION	25/04/2019	Elect James D. Taiclet, Jr.	50	50	For
EASTMAN CHEMICAL COMPANY	02/05/2019	Re-elect Director Michael P. Connors	52	48	Against
EATON CORPORATION PLC	24/04/2019	Re-elect Todd M. Bluedorn	55	45	Not known
Merger, Acquisition, Sales & Finance					
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
ASHMORE GROUP PLC	18/10/2019	Approve Rule 9 Waiver	95	5	For
SANOFI	30/04/2019	Approve Issuance of Debt Securities	97	3	For
SIEMENS AG	05/02/2020	to Aggregate Nominal Amount of EUR 15 Billion; Approve Creation of EUR 180 Million Pool of Capital to	98	2	For
SYMRISE AG	22/05/2019	Issue Bonds/Debt Securities	98	2	For
Other Company Resolutions					
TE CONNECTIVITY LTD	11/03/2020	Adjourn Meeting	69	31	For
UCB SA/NV	25/04/2019	Approve Change-of-Control Clause Re: LTI Plans of the UCB Group	70	30	Against
INVESTEC PLC	08/08/2019	Investec plc: Approve Political Donations	81	19	For
SERCO GROUP PLC	09/05/2019	Approve Political Donations	82	18	For
RECKITT BENCKISER GROUP PLC	09/05/2019	Meeting Notification related Proposal	87	13	Not known
Governance & Other Shareholder Resolutions					
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
EASTMAN CHEMICAL COMPANY	02/05/2019	Shareholder Resolution: Written Consent	49	50	Against
PEPSICO INC.	01/05/2019	Shareholder Resolution: Introduce an Independent Chairman Rule	49	49	Against
ABBVIE INC	03/05/2019	Shareholder Resolution: Political Donations	49	49	Against
Environmental & Socially Focussed Shareholder Resolutions					
APPLE INC	26/02/2020	Shareholder Resolution: Report on Freedom of Expression and Access to Information Policies	38	56	Against
THE TJX COMPANIES INC.	04/06/2019	Shareholder Resolution: Identifying Human Rights Risks in Operations and Supply Chain	38	60	Against
CBRE GROUP INC.	17/05/2019	Shareholder Resolution: Prepare a report on the impact of mandatory arbitration policies	34	62	Against
YUM! BRANDS INC.	16/05/2019	Shareholder Resolution: Environmental Impacts of Non-Recyclable Packaging	33	65	Against
AMAZON.COM INC.	22/05/2019	Shareholder Resolution: Report on Sexual Harassment	33	65	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.