

**Phonographic Performance Limited 1975
Pension and Life Assurance Scheme
Implementation Statement
2 October 2020**

Glossary

ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
LGIM	Legal & General Investment Management
Scheme	Phonographic Performance Limited 1975 Pension and Life Assurance Scheme
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 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 managers 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 managers make 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.

Over the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- LGIM World Equity Index Fund
- LGIM World Equity Index Fund – GDP Hedged
- LGIM Diversified Fund

Voting and Engagement Policies in the SIP

The Trustees revised the Scheme's 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 29 September 2019; and
- Period 2 applied from 30 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 Trustees invest 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 managers.

Trustees Assessment of Whether These Policies Were Followed

Over the course of Period 1, the assets were invested in pooled investment vehicles and, consequently, it remained the case that responsibility for corporate governance and ongoing engagement with companies was delegated to the investment managers.

Period 2 SIP Wording Relating to Voting and Engagement

A new SIP was prepared to reflect changes that had been made to the Scheme's investment strategy since the date of the previous SIP and 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:

- The Trustees believe that good stewardship can create and preserve value for companies.
- The Trustees invest in pooled funds and therefore accept that responsibility for corporate governance and ongoing engagement with companies (including the exercise of voting rights) is delegated to the investment managers.
- When considering the suitability of an investment manager, the Trustees will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.
- The Trustees will normally select investment managers who are signatories to the UNPRI.
- The Trustees expect 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 Trustees also expect 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 Trustees recognise that the membership might wish the Trustees 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 Trustees' priority is to select investment managers which are best suited to help meet the Trustees' investment objectives.
- The Trustees regularly monitor the position of the investment managers with regards to ESG matters.
- The investment adviser provides regular updates on the investment managers' actions regarding ESG factors and shareholder engagement.

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, it remained the case that responsibility for exercising voting rights was the responsibility of the investment managers.

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

The Trustees did not directly monitor the governance policies of the Scheme’s investment managers during Period 2. However, a review was undertaken to assist with the preparation of this statement (i.e. after the end of Period 2) and, looking forwards, the Trustees will complete similar reviews on an annual basis.

The Trustees continue to regularly monitor the position of the investment managers with regards to ESG matters.

All of the investment managers used by the Scheme over the Scheme Year were signatories to the UNPRI and the UK Stewardship Code.

The Investment Managers’ Voting Records

A summary of LGIM’s voting record is:

Investment Manager	LGIM
Period	Calendar Year 2019
Number of votes	50,900
Split of votes:	
For	83%
Against	17%
Did not vote/abstained	1%

Notes

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

These voting statistics are based on LGIM’s full voting record rather than votes related solely to the funds held by the Scheme.

Use of Proxy Investment Advisers

Investment Manager	LGIM
Who is their proxy voting adviser?	ISS and IVIS
How is the proxy voting adviser used?	ISS and IVIS provide research and ISS administer votes. However, all voting is determined by guidelines set by LGIM.

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 managers are listed in the Appendix. In addition, the Trustees considered LGIM'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

LGIM publishes considerable detail on its voting history.

In recent months, LGIM has been publicly supportive of proposals to ensure more robust audit appointment processes and its corporate governance policies include reference to this area. The Trustees noted, however, that LGIM appears to show some reluctance to vote against management on this issue.

LGIM is also vocal on the subject of executive remuneration and is keen to draw attention to the fact that it opposed 35% of pay packages globally in 2019. LGIM's willingness to act in this area is supported by the Trustees' analysis of significant votes which indicated that the manager displayed a higher level of opposition to such votes than was demonstrated by many other managers.

For other company resolutions, there is evidence that LGIM is more likely to vote against management than some other investment managers.

Of the significant votes that were identified as being shareholder resolutions, LGIM, along with many other investment managers generally voted in favour. LGIM voted in favour of all five significant votes identified as being Environmental and Socially Focused.

Overall, the Trustees' assessment is that LGIM's voting record compares favourably to those of its peers.

Conclusion

The Trustees have considered information provided by their investment adviser relating to the voting behaviour of LGIM – the only manager used by the Trustees operating funds which have exposure to equities. This information included voting behaviour in significant votes.

The Trustees' assessment is that LGIM continues to undertake its stewardship responsibilities in line with their stated policies and in line with the Trustees' expectations.

..... Eavan Buckley Date: 15 October 2020

Signed on behalf of the Trustees of the Phonographic Performance Limited 1975 Pension and Life Assurance Scheme

Appendix: Significant Votes

The table below records how LGIM voted in the most significant votes identified by the Trustees.

	MeetingDate	Proposal	Votes For (%)	Votes Against (%)	LGIM
Audit & Reporting					
LOCKHEED MARTIN CORPORATION	25/04/2019	Appoint the Auditors	50	50	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	Against
LAFARGEHOLCIM LTD	15/05/2019	Approve Consolidated Financial Statements	76	22	Against
SWISS RE	17/04/2019	Appoint the Auditors	77	21	For
Shareholder Capital & Rights					
QUILTER PLC	16/05/2019	Issue Shares with Pre-emption Rights	49	51	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
SAFRAN SA	23/05/2019	Public Offer	60	40	Against
CUSTODIAN REIT PLC	31/07/2019	Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment	61	39	Against
Pay & Remuneration					
ATLANTIA SPA	20/04/2019	Approve Remuneration Policy	50	50	Against
NETFLIX INC	06/06/2019	Advisory Vote on Executive Compensation	50	50	Against
ARCHER-DANIELS-MIDLAND COMPANY	01/05/2019	Advisory Vote on Executive Compensation	50	50	For
ALIGN TECHNOLOGY INC	15/05/2019	Advisory Vote on Executive Compensation	42	53	Against
CLARKSON PLC	09/05/2019	Approve the Remuneration Report	50	47	Against
Constitution of Company, Board & Advisers					
ATLANTIA SPA	20/04/2019	Appoint Directors (Slate Election) - Slate 2 Submitted by Institutional Investors (Assogestioni)	50	50	For
LOCKHEED MARTIN CORPORATION	25/04/2019	Elect James D. Taiclet, Jr.	50	50	For
FRESENIUS MEDICAL CARE AG & CO KGAA	16/05/2019	Discharge the Board	52	48	Against
FLEETCOR TECHNOLOGIES INC	12/06/2019	Elect Joseph W. Farrelly	54	45	Against
EATON CORPORATION PLC	24/04/2019	Re-elect Todd M. Bluedorn	55	45	Against
Merger, Acquisition, Sales & Finance					
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
NORTH ATLANTIC SMALLER COMPANIES I.T. PLC	25/06/2019	Approve Rule 9 Waiver	34	17	Against
CALEDONIA INVESTMENTS PLC	24/07/2019	Approve Rule 9 Waiver	86	14	Against
AMADEUS IT GROUP	18/06/2019	Rights up to EUR 5 Billion	87	13	For
Other Company Resolutions					
DRAX GROUP PLC	17/04/2019	Approve Political Donations	56	40	Against
TWENTYFOUR INCOME FUND LIMITED	19/09/2019	Meeting Notification-related Proposal	67	33	Against
SHAFTSBURY PLC	31/01/2020	Meeting Notification-related Proposal	68	32	For
TE CONNECTIVITY LTD	11/03/2020	Adjourn Meeting	69	31	Against
UCB SA/NV	25/04/2019	Approve Change-of-Control Clause Re: LTI Plans of the UCB Group	70	30	Against
Governance & Other Shareholder Resolutions					
THE TRAVELERS COMPANIES INC.	22/05/2019	Shareholder Resolution: Employment Issues	50	49	For
DOMINION ENERGY INC	07/05/2019	Approve Shareholder Proposal: Policy to Require an Independent Board Chair	49	49	For
PEPSICO INC.	01/05/2019	Shareholder Resolution: Introduce an Independent Chairman Rule	49	49	For
ABBVIE INC	03/05/2019	Shareholder Resolution: Political Donations	49	49	For
OREILLY AUTOMOTIVE INC	07/05/2019	Shareholder Resolution: Right to Call Special Meetings	51	49	For
Environmental & Socially Focussed Shareholder Resolutions					
MICROCHIP TECHNOLOGY INCORPORATED	20/08/2019	Shareholder Resolution: Report on Human Rights Risks in Operations and Supply Chain	51	48	For
AMPHENOL CORPORATION	22/05/2019	Shareholder Resolution on Recruitment and Forced Labor Report	43	55	For
DUKE ENERGY CORPORATION	02/05/2019	Shareholder Resolution: Report on Mitigating Health and Climate Impacts of Coal Use	41	57	For
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	For

Note

Where the voting record has not been provided at the fund level, the analysis is based 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.