

Implementation Statement

Flexitallic UK Defined Benefit Scheme

Scheme year ended 5 April 2023

Purpose of this statement

This implementation statement has been produced by the Trustees of the Flexitallic UK Defined Benefit Scheme (“the Scheme”) to set out the following information over the year to 5 April 2023:

- how the Trustees’ policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- the voting activity undertaken by the Scheme’s investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

The voting and engagement behaviour is not given over the Scheme year end to 5 April 2023 because investment managers only report on this data quarterly. We have therefore given the information over the year to 31 March 2023.

Stewardship policy

The Trustees’ Statement of Investment Principles (SIP) in force on 5 April 2023 describes the Trustees’ stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in July 2021 and has been made available online here:

https://flexitallic.com/global/wp-content/uploads/sites/2/2022/06/2021-07-Flexitallic-SIP_.pdf

There were no changes to the Trustees’ stewardship policy over the year to 5 April 2023.

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme’s investment managers.

At the Scheme’s year end, the Scheme’s assets were invested in twelve funds with two managers: BlackRock Investment Management (“BlackRock”) and Columbia Threadneedle Investments (“Columbia Threadneedle”). The Trustees meet as necessary to discuss the performance of the funds and be updated on important issues.

The Trustees, with support from their investment consultant, annually receive and review (through their Implementation Statement), the voting information and engagement policies from their asset managers, to ensure they align with their own policies. The findings of the Trustees’ review are reported in this Implementation Statement, which will be included as part of the Scheme’s Annual Report and Accounts for the year to 5 April 2023.

Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the investment managers are in alignment with the Scheme's stewardship policies as set out in the Scheme's Statement of Investment Principles.

**Prepared by the Trustees of the Flexitallic UK Defined Benefit Scheme
August 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's equity portfolio on behalf of the Trustees over the year to 31 March 2023.

Voting is not applicable to the Scheme's Liability Driven Investment ("LDI") or credit holdings with Columbia Threadneedle, as these funds invest only in fixed income assets, which have no voting rights.

Manager	BlackRock			
Fund name	Aquila Life UK Equity Index Fund	Aquila Emerging Markets Fund	Aquila Life European Equity Fund	Aquila Life Japanese Equity Fund
Structure	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.			
No. of eligible meetings	1,702	4,421	504	497
No. of eligible votes	14,903	37,097	8,994	6,176
% of resolutions voted	96%	99%	76%	100%
% of resolutions abstained	1%	2%	1%	0%
% of resolutions voted with management¹	94%	87%	87%	97%
% of resolutions voted against management¹	5%	12%	12%	2%
Proxy voting advisor employed¹	-----Institutional Shareholder Services ("ISS") -----			
% of resolutions voted against proxy voter recommendation	0%	0%	0%	1%

Manager	BlackRock		
Fund name	Aquila Life Pacific Rim Equity Fund	Aquila Life US Equity Fund	Dynamic Diversified Growth Fund
Structure	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.		
No. of eligible meetings	473	617	893

¹ As a percentage of the total number of resolutions voted on

Manager	BlackRock		
No. of eligible votes	3,317	7,672	11,775
% of resolutions voted	100%	99%	92%
% of resolutions abstained	0%	0%	1%
% of resolutions voted with management¹	88%	96%	94%
% of resolutions voted against management¹	11%	3%	5%
Proxy voting advisor employed¹	-----Institutional Shareholder Services ("ISS")-----		
% of resolutions voted against proxy voter recommendation	0%	0%	0%

Source: BlackRock.

Totals may not sum due to rounding.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a "significant" vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme's stewardship priorities / themes. At this time, the Trustees have not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

In the absence of agreed stewardship priorities / themes, the Trustees have asked the investment managers to determine what they believe to be a "significant vote", and we have shown one vote for each of the passive equity funds and three votes for the Diversified Growth Fund in the interest of concise reporting. These votes cover a range of themes to represent what they consider the most significant votes cast on behalf of the Scheme.

The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

BlackRock prioritise themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance. BlackRock has not been able to provide the complete data requested at the time of producing this statement, which means information on fund holdings, outcomes, and implications is not available. The Trustees' investment consultant is liaising with the managers to improve delivery of the data in the future, and the Trustees understand that the managers are working to improve their disclosures.

¹ As a percentage of the total number of resolutions voted on.

BlackRock Investment Management (UK) Limited, Passive Funds

	Aquila Life UK Equity Index Fund	Aquila Life European Equity Fund	Aquila Life Japanese Equity Index Fund
Company name	Glencore Plc	Equinor ASA	Sumitomo Mitsui Financial Group, Inc.
Summary of the resolution	Approve Climate Progress Report	Action Plan for Quality Assurance and Anti-Corruption	Partial amendment to the Articles of Incorporation (AOI) to set and disclose short- and medium-term greenhouse gas emissions reduction targets consistent with the Paris Agreement
How the manager voted	For	For	Against
Rationale for the voting decision	BlackRock supported this proposal in recognition of the company's disclosed plan to manage climate-related risks and opportunities and the company's progress against this plan. BlackRock do, however, believe there are areas where the company could enhance its disclosure.	BlackRock supported this shareholder proposal because, in their view, these are material issues for the company, and they see potential areas for improvement.	SMFG's clear and timely disclosures to investors demonstrate that the company is addressing climate-related risks and opportunities in the context of their business model, sector, and geography. In addition, the proposed amendments to the AOI, which are legally binding, are overly prescriptive and risk unduly restricting management's ability to make basic business decisions.

	Aquila Life Aquila Emerging Market Fund	Aquila Life Pacific Rim Equity Index Fund	Aquila Life US Equity Index Fund
Company name	Petróleo Brasileiro S.A.	Woodside Petroleum Ltd.	HCA Healthcare, Inc.
Summary of the resolution	Election of Márcio Andrade Weber as Chairman of the Board of Directors	Approve the climate report	To re-elect Charles O. Holliday, Jr. to the Board of Directors
How the manager voted	For	For	For
Rationale for the voting decision	<p>BlackRock supported the nominee to chair Petrobras' Board of Directors. Mr. Andrade Weber was added to the slate relatively late in the process. The previous nominee unexpectedly pulled out of the board nomination process, in the interests of his other business commitments, after being indicted by the Brazilian Federal Prosecutor's office. BlackRock hope that Mr. Andrade Weber, in his role as chairman of the board, will work with the controlling shareholder to establish a structured, long-term succession plan for key board and executive roles.</p>	<p>The report incorporates shareholder feedback, including BlackRock's, and provides long-term investors insight into the company's actions to date and plans to become net zero by 2050 or sooner, thereby allowing investors to analyse how management intends to deliver long-term financial performance through the energy transition.</p>	<p>As a result of the company's demonstrated progress with respect to reporting climate-related risks and opportunities over the past year, BlackRock decided that it is in the best economic interests of clients to support Charles O. Holliday, Jr.'s re-election to HCA's Board of Directors.</p>

BlackRock Investment Management (UK) Limited, Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Netflix, Inc.	Shell Plc	Amazon.com, Inc.
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	Report on Efforts to Reduce Plastic Use
How the manager voted	Against	Against	For
Rationale for the voting decision	<p>Netflix has a unique compensation program which includes allowing executives to choose between cash and stock options, the use of options without specified vesting criteria and a lack of stock ownership guidelines. Notably, the company made changes to the 2021 compensation program by removing all guardrails, thus providing executives even more flexibility in determining the structure of their incentive pay.</p> <p>Despite the low level of shareholder support, Netflix has not responded with any changes to its executive compensation plan.</p> <p>As a result of BlackRock's continuing concerns about the company's pay practices and the lack of responsiveness to the vote outcome in 2021, BlackRock did not support the say on pay proposal.</p>	<p>BlackRock did not support this shareholder proposal because they believe that it is not additive to Shell's Energy Transition Strategy and that the company's ability to set absolute short-and medium-term scope 3 emissions reduction targets is impeded by the current uncertainty around the pace of declines in oil and gas demand as well as energy security considerations.</p>	<p>BlackRock supported this shareholder proposal because, in their assessment, shareholders would benefit from more information on the company's approach to reducing plastic waste arising from their products and services.</p>

Source: BlackRock.

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI and cash holdings due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	BlackRock						
Fund name	Aquila Life UK Equity Index Fund	Aquila Emerging Markets Fund	Aquila Life European Equity Fund	Aquila Life Japanese Equity Fund	Aquila Life Pacific Rim Equity Fund	Aquila Life US Equity Fund	Dynamic Diversified Growth Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	3,210	536	452	341	207	702	383
Number of engagements undertaken at a firm level in the year	3,963	3,963	3,963	3,963	3,963	3,963	3,963

Source: BlackRock.

Manager	Columbia Threadneedle
Fund name	Global Low Duration Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	18
Number of engagements undertaken at a firm level in the year	356

Source: Columbia Threadneedle.

Examples of engagement activity over the year to 31 March 2023

BlackRock

BlackRock Investment Management (UK) Limited, all Aquila Life equity funds

BlackRock participated in a panel discussion in May 2022 at the Singapore Institute of Directors (SID) to discuss board diversity disclosure requirements announced by the Singapore Exchange and what it meant for SID members.

They emphasized during the discussion that diversity is a matter of bringing diverse perspectives into board decision making – key to avoiding group think – which, in their view, supports enhanced long-term financial performance given the critical role boards play in companies’ long-term success. While disclosing targets on board gender diversity is a meaningful indicator of how a company’s board approaches the wider concept of board diversity, other helpful disclosures for investors would also include strategic factors that will impact a company’s financial performance. Specifically, BlackRock noted that it is crucial that boards explore skillsets, risks, opportunities, and succession plans that will help the company generate durable value for investors over time.

BlackRock takes a broader view of board diversity when assessing board quality, as, in their experience, it is essential for companies to perform well in the future. The SID forum was an important platform for sharing BlackRock’s global approach.

the company’s board chair, they were told about the hiring process and strategy to enhance diversity.

BlackRock Investment Management (UK) Limited, Aquila Emerging Markets Fund

In the summer of 2022, the BlackRock team embarked on a roadshow across Brazil, Chile, Colombia, and Mexico to engage with financial regulators, as well as clients and public companies BlackRock invest in on their behalf. The objective of the roadshow was to share – in person and in local language – their approach to investment stewardship. They also continued to foster relationships with local regulators to share their perspective, as a minority, long-term shareholder, on the importance of encouraging public companies to produce timely and industry-specific disclosures to better inform investors’ decision-making process, including proxy voting, on behalf of clients.

During the roadshow, BlackRock also met 14 clients – including the largest pension funds in each market – to share their approach to engagement with and voting at company shareholder meetings on behalf of clients, and to seek clients’ feedback on BlackRock’s approach. Clients were receptive and stressed that BlackRock continued engagement in the region is valuable to their understanding of how local companies are responding to global challenges, including material sustainability-related risks and opportunities and thus, support their investments on behalf of local beneficiaries.

BlackRock also hosted “Director Days” in each market, at which 60+ companies were represented. During these sessions BlackRock discussed key corporate governance risks and opportunities they have identified across markets, such as the importance of having a board of highly qualified, engaged, and independent directors with professional characteristics relevant to a company’s business who can add value and be the voice of shareholders in board discussions. BlackRock also encouraged directors to continue engaging with their investor base. Based on their experience in the region, companies in Latin America are increasingly willing to engage with minority investors like BlackRock. This, in turn, has allowed BlackRock to gain better insight into the drivers of risk and financial value creation in their business models and in the context of their sectors and geographies.

BlackRock will continue to engage with market leaders – including regulators – as companies in Latin America seek to further enhance their corporate governance standards. BlackRock also remain committed to hearing from the companies their clients are invested in on their strategies for navigating challenges and capturing opportunities. And BlackRock will continue to take a thoughtful, informed, and careful approach, reflective of long-term shareholders like their clients.