

Implementation Statement

Flexitallic UK Defined Benefit Scheme

Scheme year ended 5 April 2022

Purpose of this statement

This implementation statement has been produced by the Trustees of Flexitallic UK Defined Benefit Scheme (“the Scheme”) to set out the following information over the year to 5 April 2022:

- J how the Trustees’ policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- J 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 2022 because investment managers only report on this data quarterly. We have therefore given the information over the year to 31 March 2022.

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 fund 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 2022.

Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund 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
September 2022**

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 2022.

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	1,112	4,109	414	505
No. of eligible votes	14,860	33,776	6,728	6,051
% of resolutions voted	99%	100%	99%	100%
% of resolutions abstained	1%	2%	1%	0%
% of resolutions voted with management^K	93%	88%	84%	97%
% of resolutions voted against management^K	6%	11%	15%	2%
Proxy voting advisor employed^K	-----Institutional Shareholder Services ("ISS") -----			
% of resolutions voted against proxy voter recommendation	0%	1%	0%	0%

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	479	594	965

^K As a percentage of the total number of resolutions voted on

Manager	BlackRock		
No. of eligible votes	3,369	7,321	12,458
% of resolutions voted	100%	99%	100%
% of resolutions abstained	0%	0%	1%
% of resolutions voted with management^K	88%	95%	93%
% of resolutions voted against management^K	11%	4%	6%
Proxy voting advisor employed^K	-----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, so for this Implementation Statement the Trustees have asked the investment managers to determine what they believe to be a "significant vote". BlackRock have provided a selection of votes for the relevant funds which they believe to be significant. Given the passive nature of the Scheme's equity investments and in the interest of concise reporting the tables below show one of these votes for each equity fund. Three votes have been shown for the BlackRock Diversified Growth Fund.

A summary of the significant votes provided is set out on the following pages. Details of more significant votes are available upon request.

^K As a percentage of the total number of resolutions voted on.

BlackRock Passive Equity Portfolio

	Aquila Life UK Equity Index Fund	Aquila Emerging Markets Fund	Aquila Life European Equity Fund
Company name	Berkshire Hathway Incorporated	China Shenhua Energy Company Limited	VINCI SA
Date of vote	1 May 2021	25 June 2021	8 April 2021
Summary of the resolution	<p>Item 1.1, 1.11, 1.13: Elect directors Warren E. Buffett; Thomas S. Murphy and Walter Scott, Jr.</p> <p>Item 2: Report on climate-related risks and opportunities.</p> <p>Item 3: Publish annually a report assessing diversity and inclusion efforts.</p>	<p>Item 1: Approve the report of the board of directors for the year ended 31 December 2020.</p> <p>Item 8: Election of Mr. Yang Rongming as non-executive director.</p>	<p>Advisory opinion on the company's environmental transition plan.</p>
How the manager voted	<p>For items 1.1, 2 and 3.</p> <p>Against items 1.11 and 1.13.</p>	<p>For items 1 and 8.</p>	<p>For</p>
Rationale for the voting decision	<p>BlackRock did not consider it appropriate to vote against the re-election of Warren Buffet at the current time as they did not have concerns about the company's recent financial performance or Warren Buffett's performance in the role. However, they voted against the re-election of Thomas Murphy (former chairman of the audit committee) and Walter Scott (former chairman of the governance committee) of due to concerns over shortfalls in the company's governance practices and climate action planning and disclosure.</p> <p>BlackRock supported Item 2 and 3 because at the time of the vote the company did not meet their expectations for disclosing a plan for how its business model will be compatible with a low-carbon economy, nor their expectations for disclosure of material diversity, equity, and inclusion policies and/or risks.</p>	<p>BlackRock believe the company has been responsive to shareholder concerns regarding climate-related risks and recognizes the need for clear plans to transition to a low-carbon economy and that the board will benefit from an opportunity to deliver on those commitments.</p> <p>BlackRock also believes that the company can accelerate progress and improve its decarbonization plans by including short, medium, and long-term emissions reduction targets and by disclosing Scope 3 emissions.</p>	<p>As Blackrock believe the company's environmental transition plan meets their expectations that companies have clear policies and action plans to manage climate risks and to realise opportunities presented by the global energy transition.</p> <p>The company had stated prior to the vote that shareholders are not being asked to take responsibility for approving or rejecting the VINCI's environmental transition plan. BlackRock agrees with and supports the delineation in the roles and responsibilities of shareholders and the board/executive management.</p>
Outcome of the vote	<p>Items 1, 1.11 and 1.13 passed</p> <p>Items 2 and 3 failed</p>	<p>Both resolutions passed.</p>	<p>Pass</p>
Criteria on which the vote is considered "significant"	<p>The BlackRock Investment Strategy team's key engagement priorities include board quality, environmental risks and opportunities, corporate strategy and capital allocation, compensation that promoted long-termism and human capital management</p>		
	Aquila Life Japanese Equity Fund	Aquila Life Pacific Rim Equity Fund	Aquila Life US Equity Fund

	Aquila Life UK Equity Index Fund	Aquila Emerging Markets Fund	Aquila Life European Equity Fund
Company name	Mitsubishi UFJ Financial Group Incorporated	Jardine Strategic Holdings Limited	Dow Incorporated
Date of vote	29 June 2021	12 April 2021	15 April 2021
Summary of the resolution	Disclosure of a plan outlining the company's business strategy to align its financing and investments with the goals of the Paris Agreement.	Approval of the cash acquisition of Jardine Strategic Holdings Limited by Jardine Matheson Holdings Limited	An advisory vote to ratify named executive officers' compensation; a resolution to amend the omnibus stock plan; a resolution to approve qualified employee stock purchase plan and several resolutions to elect directors.
How the manager voted	Against	Against	For
Rationale for the voting decision	<p>While BlackRock agree with the spirit of the proposal, they ultimately voted against it due to the potential consequences that could result from the legally binding nature of a proposal seeking to amend the Articles of Incorporation (AOI) of a Japanese company. BlackRock believe the company is making reasonable progress in addressing and disclosing climate-related risks and opportunities, including reporting in line with the Task Force on Climate-Related Financial Disclosures (TCFD) framework. BlackRock believe the company is moving in the right direction, however we expect its climate initiatives, and its sustainability disclosures overall, to further improve.</p>	<p>BlackRock voted against due to their serious concerns about conflicts of interests inherent in this related party transaction, as well as the opportunistic pricing of the company considered under the Acquisition terms. The global pandemic and prior social unrest in Hong Kong had depressed valuations to ten-year lows just six months before this privatization offer was announced. Approval of this transaction however was guaranteed given that Jardine Matheson controls 85% of the issued share capital and the agreement requires approval by a majority of at least 75%. In BlackRock's view, the Transaction Committee and the Board of Directors of the company did not effectively protect the interests of minority shareholders, resulting in a privatization price significantly below the fundamental net asset value (NAV) of the company.</p>	<p>BlackRock supported management as they consider the company to be an industry leader in its management of material ESG risks and opportunities. BlackRock believe that the company has positioned itself to address near-term climate risks and opportunities, while simultaneously making the necessary internal process, policy, and capital allocation adjustments to allow for long-term financial viability in a low-carbon economy.</p>
Outcome of the vote	Data not provided	Pass	All resolutions passed
Criteria on which the vote is considered "significant"	The BlackRock Investment Strategy team's key engagement priorities include board quality, environmental risks and opportunities, corporate strategy and capital allocation, compensation that promoted long-termism and human capital management		

Source: BlackRock.

BlackRock Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	VINCI SA	Woodside Petroleum Limited	Johnson & Johnson
Date of vote	8 April 2021	15 April 2021	22 April 2021
Summary of the resolution	Advisory opinion on the company's environmental transition plan.	Item 2a: Elect Christopher Haynes as director Item 5a: Approve the amendments to the company's constitution proposed by market forces. Item 5b: Approve capital protection	Item 2: Advisory vote to ratify named executive officers' compensation. Item 4: Report on government financial support and access to COVID-19 vaccines and therapeutics. Item 5: Resolution requiring independent board chair Item 6: Report on Civil Rights Audit Item 7: Adopt policy on bonus banking.
How the manager voted	For	Against all resolutions	For items 2 and 6 Against items 4, 5, and 7
Rationale for the voting decision	<p>As BlackRock believe the company's environmental transition plan meets their expectations that companies have clear policies and action plans to manage climate risks and to realise opportunities presented by the global energy transition.</p> <p>The company had stated prior to the vote that shareholders are not being asked to take responsibility for approving or rejecting the VINCI's environmental transition plan. BlackRock agrees with and supports the delineation in the roles and responsibilities of shareholders and the board/executive management.</p>	<p>BlackRock voted against the longest serving director up for re-election given their concerns about the comprehensiveness of the company's current climate risk disclosure.</p> <p>BlackRock voted against Item 5a as they are not supportive of constitutional amendment resolutions as the relative ease of filing risks potentially distracting and time-consuming resolutions being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base.</p>	<p>BlackRock voted for the Say on Pay proposal because they believe the company has taken appropriate steps to incentivize current executives and to set compensation plans that are performance based.</p> <p>BlackRock voted against item 4 as the company already leads on transparency with regard to access to medicine and they have confidence the company will continue to provide disclosure as the distribution of the vaccines continues.</p> <p>BlackRock voted against item 5 as they believe the company has a designated lead independent director who has a clearly defined role that supports board effectiveness.</p> <p>BlackRock voted for item 6 as they believe that an audit would reinforce the effectiveness of the company's current programs to advance racial equity and might yield further insights to accelerate its progress.</p> <p>BlackRock voted against item 7 because the company made no</p>

	Vote 1	Vote 2	Vote 3
			changes to its original financial targets due to COVID-19.
Outcome of the vote	Pass	Item 2a passed. Item 5a failed. Item 5b was withdrawn.	Item 2 and 5 passed Item 4, 6 and 7 failed
Criteria on which the vote is considered "significant"	The BlackRock Investment Strategy team's key engagement priorities include board quality, environmental risks and opportunities, corporate strategy and capital allocation, compensation that promoted long-termism and human capital management		

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 funds 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	2,908	540	415	292	206	623	825
Number of engagements undertaken at a firm level in the year	3,456	3,456	3,456	3,456	3,456	3,456	3,456

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	231
Number of engagements undertaken at a firm level in the year	1,838

Source: Columbia Threadneedle.

Examples of engagement activity over the year to 31 March 2022

BlackRock

Imperial Brands (UK)

BlackRock has had multiyear engagements with Imperial Brands Plc to discuss various corporate governance and business issues. In 2021 BlackRock did not support the re-election of five directors who were members of the Nomination and Governance Committee for inadequately accounting for diversity on the board. In the following months, however, the board appointed two female directors, one of whom is also from a racial/ethnic minority group. The company also hired two female senior executives (one of which, who identifies as from a racial/ethnic

minority group, joined the Executive Leadership Team as President and CEO of the US Region), thus adding diversity at the executive management level. During BlackRock engagements with the company's board chair, they were told about the hiring process and strategy to enhance diversity.

Chesapeake Energy

Chesapeake Energy is a U.S.-based onshore oil and gas producer. The company was an early leader in U.S. shale resource development, pursuing a business model centered on robust growth ambitions, which became increasingly challenging to maintain in a rapidly changing U.S. commodity price environment. In 2013, the founder and CEO stepped down as the financial resilience and strategic direction of the company was increasingly called into question. Challenges persisted in the years that followed, and the company's financial performance worsened.

In January 2021, Chesapeake's Chapter 11 bankruptcy plan was approved. The company's performance since has been supported by the approved restructuring, a new management team and board, and an improved commodity price environment. BlackRock are encouraged by Chesapeake's efforts to focus the company's strategy on its core competencies and assets as it undertook operational efficiencies and portfolio high grading with an eye towards sustainability and environmental stewardship. This focus has included significant progress on the company's disclosures to investors regarding its approach to managing the risks and opportunities of the energy transition.

BlackRock believe energy companies, including Chesapeake, are balancing complicated near-term market conditions and geopolitical pressures against a backdrop of a longer-term energy transition. BlackRock do not think they are in the position to dictate a company's strategy or its implementation. BlackRock aim to offer constructive perspectives as a long-term investor interested in the long-term performance of the companies in which their clients are invested. BlackRock do this with an understanding of the value needing to be placed on global energy security and an orderly transition to a low carbon economy and they look forward to seeing Chesapeake execute on its refreshed strategy and to watching the company evolve efforts to strengthen financial resilience and lean into investment opportunities. BlackRock will continue to engage with the company in pursuit of the durable financial performance upon which our clients rely.

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force on 5 April 2022 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/wp-content/uploads/2021/09/2021-06-Pension-Implementation-Statement-v1.pdf>

There were no changes to the Trustees' stewardship policy over the year to 5 April 2022.