

Formica Limited 1998 Pension Scheme

Implementation Statement: Scheme Year ended 5 April 2021

Introduction and purpose to this statement

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Formica Limited 1998 Pension Scheme (the “Scheme”) covering the Scheme year from 6 April 2020 to 5 April 2021.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustees, the engagement policy under the Scheme’s Statement of Investment Principles (“SIP”) has been followed during the year;
- describe the voting behaviour by, or on behalf of, the Trustees over the year.

This Statement will be updated from time to time as the Trustees deem necessary.

Changes to the SIP over the Year to 5 April 2021

During the Scheme year, changes to the SIP have been made to comply with further legislative requirements that came in to force on 1 October 2020.

These changes relate to updated requirements to have a policy on the Trustees’ arrangements with investment managers, and include:

- a) Engagement. The Trustees expect the Investment Manager, where appropriate to engage with companies, stakeholders and other relevant persons on matters such as performance, strategy, capital structure, management of conflicts of interest risks, and ESG issues concerning the Scheme’s Investments.
- b) Alignment. The Trustees will ensure alignment between the Investment Manager’s management of the Scheme assets and the interests of the Trustees’ policies and objectives. To maintain alignment the Trustees provide annually the most recent copy of the Scheme’s Statement of Investment Principles to the Investment Manager and request confirmation that the management of the Scheme’s assets is consistent with those policies and mandates.
- c) Investment manager remuneration methodology and duration of arrangements with the Investment Manager are detailed in the SIP.
- d) Asset Management Costs. The Trustees review the costs incurred in managing the Scheme’s assets regularly which includes the costs associated with portfolio turnover.

The revised SIP was dated September 2020 and formally adopted by the Trustees on 30 September 2020 after consultation with Formica Limited (“the Company”).

Subsequent review of and changes to SIP (post Scheme year-end)

Since the end of the Scheme year, the only change that has been made to the SIP has been a change to the investment mix whereby equities have been reduced to 15% of the Scheme total assets.

Trustees’ Engagement and Voting Policy

The Scheme owns units in passively managed pooled funds in which it is invested but it does not own the underlying assets of the funds. The responsibility for exercising and directing engagement and voting rights acquired through the Scheme’s investments is delegated to the Investment Manager. All of the Scheme’s assets are held with Blackrock-

Due to the passive nature of the Scheme's investments, the Trustees recognise that no material decisions are taken by the Investment Manager on the holdings to be included in the portfolio as they must retain asset holdings that are broadly in line with the relevant market index they are tracking. However, the Trustees expect that the Investment Manager where appropriate will engage with companies on matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest risks, and environment, social and governance ('ESG') issues concerning the Scheme's investments.

The Trustees have reviewed the engagement and the voting behaviour of the Investment Manager during the year from 6 April 2020 to 5 April 2021, for all equity investments within the Scheme. Total equity investments accounted for approximately 25% of the Scheme's assets during the year across a local and global portfolio of nine funds.

The nine funds making up the Equity Portfolio are listed below:

	Target Allocation %
Aquila Life UK Index Equity Index Fund	3.6
Aquila Life Currency Hedged US Equity Index Fund	5.1
Aquila Life US Index Equity Index Fund	5.1
Aquila Life Currency Hedged European Equity Index Fund	4.1
Aquila Life European Equity Index Fund	4.1
Aquila Life Currency Hedged Japanese Equity Index Fund	0.9
Aquila Life Japanese Equity Index Fund	0.9
Aquila Life Currency Hedged Pac Rim Equity Index Fund	0.6
Aquila Life Pac Rim Equity Index Fund	0.6
Total Equities as a % of total Scheme assets.	25.0

Voting information on the Scheme's bond funds is not provided since the vast majority of loan and debt securities do not come with voting rights.

Engagement Activity

On behalf of the Trustees the Investment Manager engages companies to provide feedback on their practices and inform their voting. The Investment Manager focuses on a range of issues that fall within each of the environmental, social and governance (ESG) categories to assess where there is potential for material long-term financial impact on a company's performance. The Investment Manager is signed up to the UK FRC Stewardship Code.

The Trustees have reviewed all engagement results and are comfortable that the Investment Manager has engaged appropriately with various companies, and that those engagements reflect the Trustees' expectations and are in line with the Scheme's Statement of Investment Principles.

In summary engagements were significantly more than last year and an increase was observed in environmental themes while governance themes decreased as a percentage of total themes.

Engagement Summary	6 April 2020 – 5 April 2021	6 April 2019 – 5 April 2020
Total Company Engagements	4,391	1,978
Number of Companies Engaged	2,587	1,100
Companies with Multiple Engagements	1,015	512
Engagement Themes %		
- Governance	46%	55%
- Social	21%	20%
- Environmental	33%	25%

Voting Process

The Trustees rely on the Investment Manager to vote on their behalf rather than having their own voting policy and process.

The Investment Manager's proxy voting guidelines are market-specific to ensure that account is taken of a company's unique circumstances by market, where relevant. The voting decision of the Investment Manager is informed through research and engagement as necessary. The engagement priorities are global in nature and are informed by the Investment Manager's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. The Investment Manager may also update regional engagement priorities based on issues believed to impact the long-term sustainable financial performance of companies in those markets.

The Investment Manager determines which companies to engage directly with based on an assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of the engagement being productive. The Investment Manager has a set of voting guidelines that are used to assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. The voting guidelines are applied pragmatically, taking into account a company's unique circumstances where relevant.

Voting patterns were similar to last year.

Voting Summary	6 April 2020 – 5 April 2021	6 April 2019 – 5 April 2020
Votable Meetings	3,333	3,231
Votable Proposals	41,981	40,406
Proposals Voted On	39,790	38,862
- Voted For	36,500 (91.73%)	35,838 (92.22%)
- Voted Against	2,769 (6.96%)	2,530 (6.51%)
- Abstained	409 (1.03%)	384 (0.99%)
- Withheld and other	112 (0.28%)	110 (0.28%)

The Trustees have reviewed the voting results including the significant votes below and are comfortable that the Investment Manager has voted appropriately, and in line with the Trustees' expectations.

Significant Votes

The Investment Manager highlights and publishes explanations and rationale for certain high profile proposals at company shareholder meetings which are deemed significant votes. During the year there were 49 such occasions involving well-known companies. This was up significantly on the four cases reported last year. In some cases, the Investment Manager supported some of the Resolutions but in others the Investment Manager voted against the Resolutions. The Trustees have examined all instances where the Investment Manager was engaged in significant votes and the Trustees support the Investment Managers votes and rationale.

Examples of cases where the Investment Manager voted for or against proposals recommended by the company or other shareholders include:

Volkswagon AG (Germany)

Meeting Date: 30 September 2020

The Investment Manager voted against the discharge of a number of Management Board and Supervisory Board members due to ongoing concerns with (i) oversight in relation to the emissions scandal, (ii) the insufficient level of independence on the Supervisory Board and its sub-committees, and (iii) the independence of the external auditor. The Investment Manager also voted against the re-election a Supervisory Board member due to the insufficient level of independence on the Supervisory Board.

Swedbank AB (Sweden)

Meeting Date: 28 May 2020

The Investment Manager voted against the discharge of relevant board members and the former CEO as the Investment Manager held these shareholder-elected directors accountable for the deficiencies in Swedbank's governance of its anti-money laundering measures given they served on the board over the period these issues occurred.

Deutsche Lufthansa AG

Meeting Date: 5 May 2020

The Investment Manager voted against approval of the Supervisory Board's actions for financial year 2019 and approval of the remuneration system for members of the Executive Board due to concerns about progress on climate related risks reporting and the structure of executive pay at the company.

Santander Consumer USA Holdings, Inc

Date 10 June 2020

Despite a company recommendation for a vote against, the Investment Manager voted for a shareholder proposal for a Report on Risk of Racial Discrimination in Vehicle Lending as discriminatory lending practices (of all forms) are a material risk to the company's business and shareholders would benefit from increased and improved disclosure on compliance programs, processes and procedures, as well as risk mitigation processes and procedures, to prevent discriminatory lending (including racial discrimination).

Amazon.com Inc USA

Meeting Date: 27 May 2020

The Investment Manager voted in line with company recommendations including voting for all management proposals but voting against 12 shareholder initiated proposals.

The company received 12 shareholder proposals which included the following examples:

- Create a report on effects of food waste;
- Create a report on customer use of certain technologies;
- Report on potential customer misuse of certain technologies;
- Create an alternative report on gender/racial pay;
- Request for a reduction in threshold for calling special shareholder meetings

After thorough review of the company's existing disclosures, along with insights gleaned from multiple engagements, the Investment Manager determined that Amazon is actively addressing all those material issues raised by the various shareholder proposals.

A complete list of all the companies involved where significant votes were recorded (including the above) is listed below along with the link to the Investment Manager's report regarding each significant vote:

- 1) Woodside Petroleum Limited <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-woodside-may-2020.pdf>
- 2) AGL Energy Limited <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-agl-oct-2020.pdf>
- 3) Santos Limited <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-santos-apr-2020.pdf>
- 4) Origin Energy Limited <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-origin-energy-oct-2020.pdf>
- 5) National Australia Bank <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-national-australia-bank-dec-2020.pdf>
- 6) Australia and New Zealand Banking Group <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-anz-dec-2020.pdf>

- 7) Korea Electric Power Corporation <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-kepco-nov-2020.pdf>
- 8) BHP Group Limited <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-bhp-oct-2020.pdf>
- 9) First Pacific Limited <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-first-pacific-jul-2020.pdf>
- 10) Mizuho Financial Group Limited <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-mizuho-fg-jun-2020.pdf>
- 11) Exxon Mobil Corp <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-exxon-may-2020.pdf>
- 12) Chevron Corp <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chevron-may-2020.pdf>
- 13) Amazon Com Inc <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-amazon-jul-2020.pdf>
- 14) Cheniere Energy Inc <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-cheniere-jun-2020.pdf>
- 15) Facebook Class A Inc <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-facebook-jul-2020.pdf>
- 16) Alphabet Inc Class C <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-alphabet-jul-2020.pdf>
- 17) Procter and Gamble <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-procter-and-gamble-oct-2020.pdf>
- 18) Boeing <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-boeing-apr-2020.pdf>
- 19) Walmart Inc <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-walmart-jul-2020.pdf>
- 20) J B Hunt Transport Services Inc <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-jb-hunt-apr-2020.pdf>
- 21) Tesla Inc <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-tesla-sep-2020.pdf>
- 22) Transdigm Group Inc <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-transdigm-jun-2020.pdf>: <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-transdigm-mar-2021.pdf>
- 23) Tyson Foods Inc Class A <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-tyson-foods-feb-2021.pdf>
- 24) Delta Airlines Inc <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-delta-jun-2020.pdf>
- 25) Uniper <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-uniper-may-2020.pdf>
- 26) Daimler AG <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-daimler-jul-2020.pdf>
- 27) Volkswagen AG <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-volkswagen-oct-2020.pdf>
- 28) Banko Santander <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-danske-bank-jun-2020.pdf>
- 29) SA Danske Bank <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-danske-bank-jun-2020.pdf>
- 30) Volvo <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-volvo-jun-2020.pdf>
- 31) Swedebank <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-swedebank-may-2020.pdf>
- 32) Total <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-total-may-2020.pdf>

- 33) Lair Liquide Societe Anonyme Pour <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-air-liquide-jun-2020.pdf>
- 34) Hennes and Mauritz <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-hm-may-2020.pdf>
- 35) Fontum <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-fortum-apr-2020.pdf>
- 36) Deutsche Lufthansa AG <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-lufthansa-jul-2020.pdf>
- 37) Aena SME S A <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-aena-oct-2020.pdf>
- 38) CHR Hansen Holding <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chr-hansen-nov-2020.pdf>
- 39) Equinor <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-equinor-may-2020.pdf>
- 40) Heidelberg cement A G <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-heidelbergcement-jun-2020.pdf>
- 41) Royal Dutch Shell <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-shell-may-2020.pdf>
- 42) Barclays PLC <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2020.pdf>
- 43) Top Glove Corporation <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-top-glove-jan-2021.pdf>
- 44) Euraz <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-evraz-jun-2020.pdf>
- 45) Ocado Group PLC <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-ocado-may-2020.pdf>
- 46) Tyson Foods Inc Class A <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-tyson-foods-feb-2021.pdf>
- 47) C E Z <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-cez-jul-2020.pdf>
- 48) Pge Polska Grupa Energetyczna S A <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-pge-jun-2020.pdf>
- 49) Indofood CBP Sukses Makmur <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-icbp-aug-2020.pdf>