

# CNR International (UK) Limited Pension Scheme

## Implementation Statement

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## Purpose of this statement

This implementation statement has been produced by the Trustees of the CNR International (UK) Limited Pension Scheme ("the Scheme") to set out the following information over the year to 31 March 2023:

- How the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- 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 investment managers are accessed through the investment platform with Scottish Widows.
- A summary of any changes to the Statement of Investment Principles (SIP) over the period.
- A description of how the Trustee's policies, included in their SIP, have been followed over the year.

## Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at 31 March 2023 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in August 2021 and has been made available online here:

<http://www.cnri-northsea-decom.com/02-Statement-of-Investment-Principles.pdf>

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 and considerations for the future of the Scheme and the Scheme's investment strategy.

## How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that their policies on voting and engagement have been met in the following ways:

- 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.
- The Trustees, with input from their investment consultant, annually receive and review (through their Implementation Statement) the voting information and engagement policies of their investment managers, which they review to ensure alignment with the Trustees stewardship policies. The Trustees believe that the voting and engagement activities undertaken by the investment managers on their behalf have been in the members' best interests.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund manager is in alignment with the Scheme's stewardship policies.

## How the SIP has been followed over the year

In the Trustees' opinion, the Statement of Investment Principles has been followed over the year in the following ways:

- The Trustees believe the Scheme offers a suitable default strategy for members. The last investment review commenced in March 2023 and is currently ongoing. At the Trustees meeting in May 2023, Barnett Waddingham presented the outcome of the triennial investment strategy review, where appropriate

changes were recommended based on the membership profile of the Scheme. It was agreed that following the meeting the Trustees and Company would have a follow up discussion to discuss their views on the strategy review recommendations and consider the future of the Scheme.

- The Trustees believe the Scheme offers a range of self-select fund options which give members a reasonable choice from which to select their own strategy. The self-select fund range review commenced in March 2023 and is currently ongoing. It was suggested that the Trustees reconsider the funds available as self-select options following any changes to the default investment strategy.
- The Trustees regularly review Scottish Widows' quarterly reporting.
- The Trustees have made no new manager appointments over the year. The Trustee will consider the ESG credential of any manager changes which occur as part of the 2023 investment strategy review.

## Default strategy voting data

The voting data over the year to 31 March 2023 at a fund level is shown below, unless stated otherwise.

The default investment strategy is the investment strategy that members savings will follow if they have not proactively selected another option.

Manager	BlackRock	BlackRock	LGIM	LGIM	Capital Group
<b>Fund name</b>	BlackRock DC Diversified Growth*	Aquila Life 50:50 Global Equity Fund	Diversified Fund	Retirement Income Multi-Asset Fund	Emerging Markets Total Opportunities (Lux) Fund
<b>Structure</b>	Pooled				
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.				
<b>No. of eligible meetings</b>	895	2,581	9,541	10,213	165
<b>No. of eligible votes</b>	11,842	34,376	99,252	104,764	1,719
<b>% of resolutions voted</b>	92.00%	96.00%	99.82%	99.83%	98.95%
<b>% of resolutions abstained</b>	1.66%	0.46%	0.70%	0.69%	2.88%
<b>% of resolutions voted with management<sup>1</sup></b>	94.48%	94.00%	77.36%	77.95%	92.12%
<b>% of resolutions voted against management<sup>1</sup></b>	5.52%	5.00%	21.94%	21.36%	5.00%
<b>Proxy voting advisor employed<sup>1</sup></b>	Institutional Shareholder Services (ISS)				
<b>% of resolutions voted against proxy voter recommendation</b>	0.08%	0.32%	12.51%	12.22%	n/a

\*Data provided for the year to 31 December 2022 (1 January 2022-31 December 2022). The Trustees will engage further with BlackRock to ensure data over the requested period is supplied next time.

<sup>1</sup> As a percentage of the total number of resolutions voted on

## Default strategy 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 and considerations for the future of the Scheme.

For this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a “significant vote”. 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.

The Trustees have delegated to the investment managers to define what a “significant vote” is. A summary of the data they have provided is set out below. In the absence of agreed stewardship priorities / themes, the Trustees have selected 3 votes from each manager, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Scheme. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below. Note that Blackrock’s data on their significant votes over the year was lacking the detail of their counterparts. The Trustees have included what was provided. The Trustees will engage further with BlackRock to ensure data over the requested period is supplied next time.

A summary of the significant votes provided is set out below.

### BlackRock, BlackRock DC Diversified Growth

	Vote 1	Vote 2
<b>Company name</b>	Siemens AG	Siemens AG
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Data not available	
<b>Summary of the resolution</b>	Amend Articles: Participation of Supervisory Board Members in the Annual General Meeting by Means of Audio and Video Transmission	Approve Virtual-Only Shareholder Meetings Until 2025
<b>How the manager voted</b>	For	For
<b>Rationale for the voting decision</b>	Data not available	
<b>Outcome of the vote</b>	Pass	Pass
<b>Implications of the outcome</b>	Data not available	
<b>Criteria on which the vote is considered “significant”</b>	Significant vote proposal	

## BlackRock, Aquila Life 50:50 Global Equity Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Alphabet Inc.	Woodside Petroleum Ltd.	Marathon Petroleum Corporation
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Data not available		
<b>Summary of the resolution</b>	Report on metrics and efforts to reduce water related risk	Approve the amendments to the company's constitution	Amend the compensation clawback policy
<b>How the manager voted</b>	For	Against	Against
<b>Rationale for the voting decision</b>	Blackrock believe it is in the best interests of shareholders to have access to greater disclosure on this issue.	Shareholder proposals best facilitated through regulatory changes.	The company already has policies in place to address the request being made by the proposal or is already enhancing its relevant policies.
<b>Outcome of the vote</b>	Fail	Fail	Fail
<b>Implications of the outcome</b>	<p>BlackRock's approach to corporate governance and stewardship is explained in their Global Principles. Blackrock's Global Principles describe their philosophy on stewardship, including how they monitor and engage with companies. These high-level principles are the framework for Blackrock's more detailed, market-specific voting guidelines. Blackrock do not see engagement as one conversation. They have ongoing direct dialogue with companies to explain their views and how they evaluate a company's actions on relevant ESG issues over time. Where Blackrock have concerns that are not addressed by these conversations, they may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, Blackrock monitor developments and assess whether the company has addressed their concerns.</p>		
<b>Criteria on which the vote is considered "significant"</b>	<p>Vote Bulletin; BlackRock Investment Stewardship ("BIS") periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions Blackrock expect will be of particular interest to clients.</p> <p>Blackrock's vote bulletins can be found here: <a href="https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins">https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins</a></p>		

## LGIM, Diversified Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Prologis, Inc.	Union Pacific Corporation	NextEra Energy, Inc.
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.37%	0.36%	0.34%
<b>Summary of the resolution</b>	Resolution 1a - Elect Director Hamid R. Moghadam	Resolution 1e - Elect Director Lance M. Fritz	Resolution 1j - Elect Director Rudy E. Schupp
<b>How the manager voted</b>	Against	Against	Against

	Vote 1	Vote 2	Vote 3
<b>Rationale for the voting decision</b>	<p>Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.</p> <p>Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>	<p>Joint Chair/CEO: A vote against is applied as LGIM expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.</p>	<p>Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue.</p> <p>Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>
<b>Outcome of the vote</b>	92.9% in favour of the resolution	91.7% in favour of the resolution	85.9% in favour of the resolution
<b>Implications of the outcome</b>	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
<b>Criteria on which the vote is considered "significant"</b>	<p>LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. LGIM believe these two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.</p> <p>LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their clients' behalf.</p>		

## LGIM, Retirement Income Multi-Asset Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Prologis, Inc.	Royal Dutch Shell Plc	Rio Tinto Plc
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.25%	0.25%	0.14%
<b>Summary of the resolution</b>	Resolution 1a - Elect Director Hamid R. Moghadam	Resolution 20 - Approve the Shell Energy Transition Progress Update	Resolution 17 - Approve Climate Action Plan
<b>How the manager voted</b>	Against	Against	Against



	Vote 1	Vote 2	Vote 3
<b>Rationale for the voting decision</b>	<p>Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.</p> <p>Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>	<p>Climate change: A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remain concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses.</p>	<p>Climate change: LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.</p>
<b>Outcome of the vote</b>	92.9% in favour of the resolution	79.9% in favour of the resolution	84.3% in favour of the resolution
<b>Implications of the outcome</b>	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
<b>Criteria on which the vote is considered "significant"</b>	<p>LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. LGIM believe these two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.</p> <p>LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.</p>		

## Capital Group, Emerging Markets Total Opportunities (Lux) Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	AIA Group Limited	Barrick Gold Corp.	Galaxy Entertainment Group Limited
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	1.60%	1.34%	0.68%
<b>Summary of the resolution</b>	Elect Narongchai Akrasanee as Director	Advisory Vote on Executive Compensation Approach	Elect Charles Cheung Wai Bun as Director
<b>How the manager voted</b>	Against	Against	Against
<b>Rationale for the voting decision</b>	Capital Group believe this director is deemed to be "overboarded" (i.e. perceived to be sitting on an excessive number of boards which can result in an under-commitment of time and attention) which may impact their commitment to the company.	Capital Group believe more financial or operational metrics needed.	Capital Group believe this director is deemed to be overboarded which may impact their commitment to the company.
<b>Outcome of the vote</b>	Passed	Passed	Passed
<b>Implications of the outcome</b>	Capital Group will continue to engage with the company regarding their vote rationale, in order to provide better outcomes for shareholders.		
<b>Criteria on which the vote is considered "significant"</b>	Vote against management	Vote against management	Vote against management

## Default strategy 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.

Manager	Blackrock	Blackrock	LGIM	LGIM	Capital Group
Fund name	BlackRock DC Diversified Growth	Aquila Life 50:50 Global Equity Fund	Diversified Fund	Retirement Income Multi Asset	Emerging Markets Total Opportunities (Lux) Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	370	2,070	979	1,004	35
Number of companies engaged with on behalf of the holdings in this fund over the year	212	1,221	690	715	16
Number of engagements undertaken at a firm level in the year	3,963		1,088		800

## Examples of engagement activity undertaken over the year to 31 March 2023

### BlackRock, Aquila Life 50:50 Global Equity Fund

#### Netflix, Inc

BlackRock Investment Stewardship ("BIS") has engaged with Netflix on a range of corporate governance and sustainable business matters that they believe contribute to the company's ability to deliver the durable, long-term shareholder returns on which BlackRock clients depend to meet their financial goals, including board effectiveness, shareholder rights, human capital management, executive compensation and corporate political activities disclosures.

### Capital Group, Emerging Markets Total Opportunities (Lux) Fund

#### Vale Case Study: Encouraging board diversity to improve governance and oversight

**Name of entity engaged:** Vale

**Topic:** ESG issue/opportunity

**Rationale for the engagement:**

- Corporate governance concerns at Vale have centred on the quality of board directors, in terms of:
  - Independence
  - qualification/experience
  - diversity
- Before November 2020, Vale's corporate structure allowed for a small number of large shareholders to control the company.
- Some board positions were filled by representatives of controlling companies, without appropriate industry or corporate experience.

**Actions:**

- Capital Group's investment group and members of the Capital Group ESG team have held regular discussions with Vale since at least 2015 about unifying the share structure and eliminating differential voting rights.
- In addition, recent engagements included:
  - Early April 2022 – a Capital Group portfolio manager and the Capital Group corporate governance director met with Vale to understand its approach to board independence.
  - August 2022 – a member of Capital Group's Governance, Stewardship and Engagement team met with Vale to provide feedback on the company's board refreshment plans.
- Both meetings provided a better understanding, and evidence, of Vale's ambitions for higher governance standards.

**Outcome:**

- Following the change in Vale's shareholder agreement in November 2020, Capital Group's proxy voting committee voted in support of the appointment of four outside directors to the board at the 2021 AGM.
- At the AGM on 29 April 2022, eight independent directors and one female director were appointed to the board. This means the board now consists of a majority of independent directors.
- Capital Group's associates understand Vale would like to target further board diversity – particularly female and international directors – which they believe is key, given the global nature of its business and importance of appropriate governance and oversight of operations.