CNR International (U.K.) Limited Pension Scheme ("the Scheme")

Chair's statement regarding the governance of defined contribution ("DC") arrangements

Scheme year - 1 April 2020 to 31 March 2021

1. Introduction

1.1. This statement has been prepared by the Scheme's Trustees ("the Trustees") to report on compliance with defined contribution (DC) governance standards, as required by the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

2. The Scheme's DC arrangements

2.1. The Scheme's DC arrangements comprise:

2.1.1. DC provision arising from CNR International (U.K.) Ltd ("the Company") contributions and both minimum and additional voluntary contributions (AVCs) made by members. The Scheme is open to future contributions and new members, and is administered by Barnett Waddingham LLP (Barnett Waddingham).

2.1.2. Scottish Widows supports the investment administration of the Scheme's investments via its Corporate Savings Platform (CSP).

2.1.3. BlackRock Advisors (UK) Limited (BlackRock), Standard Life Investments Limited (Standard Life), Newton Investment Management Limited (Newton) and Capital International Management Company Sárl (Capital International) are the investment managers, selected by the Trustees via the Scottish Widows CSP.

2.2. The Scheme is used as a qualifying scheme for automatic enrolment purposes.

3. Default investment arrangement

3.1. The Scheme's default investment arrangement until March 2021 was the Annuity Lifestyle Strategy ("the old default").

3.2. The key features of the old default were as follows:

3.2.1. It used a 'lifestyle' strategy to automatically reduce risk/volatility in the years approaching a member's target retirement age. Target retirement age is age 65, unless a member instructs otherwise.

3.2.2. For the period up to 10 years before a member's target retirement age, the old default aimed to allocate 65% to the BlackRock Aquila (50:50) Global Equity Index Fund, 12.5% to both the BlackRock DC Diversified Growth and Standard Life Global Absolute Return Strategies (GARS) Funds and 10% to the Capital International Emerging Markets Total Opportunities Fund.

3.2.3. Over the 10 years preceding the member's target retirement age, the old default automatically and gradually switched out of the growth phase funds named in 3.2.2 and into the BlackRock Aquila Corporate Bond All Stocks Index Fund, BlackRock Aquila Over 15 Year UK Gilt Index Fund, BlackRock Aquila Index-Linked Over 5 Year Gilt Index Fund and BlackRock Sterling Liquidity Fund. At target retirement age, the aim was for members to be invested in an equal allocation of 25% across these four funds.

Aims and objectives of the old default

3.3. The old default aimed to grow the value of members' DC pension savings over the longer term by investing in a diversified range of growth assets.

3.4. The automatic switching of assets in the 10-year period before the members target retirement age was aimed at more closely matching the perceived needs and characteristics of the average member's expected retirement benefits who invests in the default. The asset allocation at retirement age was based on the expectation members will access their DC pension savings by taking 25% of the value of their DC pension savings as a tax-free lump sum, with the remainder used to purchase an annuity.

The new default from March 2021

3.5. The Scheme's introduced a new default investment arrangement in March 2021 referred to as the Continued Lifestyle Strategy ("the default").

3.6. The key features of the default are as follows:

3.6.1. It uses a 'lifestyle' strategy to automatically reduce risk/volatility in the years approaching a member's target retirement age. Target retirement age is age 65, unless a member instructs otherwise.

3.6.2. For the period up to 10 years before a member's target retirement age, the default aims to allocate 65% to the BlackRock Aquila (50:50) Global Equity Index Fund, 12.5% to both the BlackRock DC Diversified Growth and LGIM Diversified Fund and 10% to the Capital International Emerging Markets Total Opportunities Fund.

3.6.3. Over the 10 years preceding the member's target retirement age, the default automatically and gradually switches out of the growth phase funds named in 3.2.2 and into the LGIM Retirement Income Multi Asset Fund and the BlackRock Sterling Liquidity Fund. At target retirement age, the aim is for members to be invested in allocation of 75% in the LGIM Retirement Income Fund and 25% in the BlackRock Sterling Liquidity Fund.

Aims and objectives of the new default

3.7. The default aims to grow the value of members' DC pension savings over the longer term by investing in a diversified range of growth assets.

3.8. The automatic switching of assets in the 10-year period before the members target retirement age is aimed at more closely matching the perceived needs and characteristics of the average member's expected retirement benefits who invests in the default. The asset allocation at retirement age is based on the expectation members will access their DC pension savings by taking 25% of the value of their DC pension savings as a tax-free lump sum, with the remainder used to access benefits flexibly.

Review of the default

3.9. The latest review of the default commenced on 7 December 2018 and the changes were implemented in March 2021. Both the default's strategy and performance were considered.

3.9.1. Initial review considerations focussed on the aims and objectives of the current default in the context of the current and expected future membership profile and projected retirement fund outcomes, and the performance of the default investment funds and market statistics.

3.9.2. These initial review considerations resulted in the Trustees deciding to retain the existing Scottish Widows (then Zurich) investment platform provision.

3.9.3. Following the above, the Trustees during 2019 reviewed the suitability of the existing default, to include the composition of the current asset classes, the investment funds used, and the lifestyle switching periods, taking into account options available via the Scottish Widows CSP.

3.9.4. The Trustees as required consulted with the Company regarding the review outcomes and future strategy. During the period between the commencement of the review and implementation, the Trustees at each quarterly Trustees' meeting continued to monitor the performance of the current Scheme investment managers. These reviews are part of the good governance of the Scheme and do not constitute a formal review of the default investment arrangements which are ordinarily carried out on a triennial basis.

3.9.5. Consultation with the Company concluded on 26 June 2020 and the changes where implemented in March 2021.

Further information on the default

3.10. Details of the default are set out in the attached statement of investment principles (SIP), including its aims and objectives. This SIP was last updated in August 2021 to include the Trustees' policy regarding ESG.

4. Core financial transactions

4.1. The Trustees have a specific duty to ensure that 'core financial transactions' are processed promptly and accurately.

4.2. Core financial transactions comprise the following, in relation to each of the Scheme's DC arrangements:

4.2.1. investment of contributions

4.2.2. transfers into and out of the Scheme

4.2.3. investment switches within the Scheme

4.2.4. payments out of the Scheme

4.3. Core financial transactions are undertaken by the Scheme Administrators, Barnett Waddingham, on behalf of the Trustees.

Controls and monitoring arrangements

4.4. The controls in place in relation to ensuring the promptness of core financial transactions are:

4.4.1. The Trustees have a Service Level Agreement (SLA) in place which covers the promptness of transactions, under which Barnett Waddingham aims to ensure at least 95% of core financial transactions within service levels for each type of transaction set out below:

Core Financial Transaction	Service Level Agreement
Contributions/allocations	5 working days
Transfer payments in	3 working days
Transfer payments out	3 working days
Investment switches	5 working days
Retirement payments out of the Scheme	5 working days
Payments on death of a member	2 working days

4.4.2. In order to monitor Barnett Waddingham's performance against agreed SLAs, the Trustees receive regular administration reports from Barnett Waddingham. These reports include cash flow monitoring, summaries of member transactions, reporting of service performance against the SLAs and identifying any issues arising regarding administration timeliness and/or accuracy. Reports are considered at each regular quarterly Trustees' meeting.

4.4.3. Barnett Waddingham monitors that contributions are paid within regulatory timescales, and processes are in place to invest these contributions accurately and in a timely manner.

4.5. The controls in place in relation to ensuring the accuracy of core financial transactions are:

4.5.1. Barnett Waddingham operates a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that Barnett Waddingham must carry out an internal and external reconciliation every day. Barnett Waddingham is audited annually and this is evidenced to the independent auditor.

4.5.2. Monitoring of accuracy is undertaken via the auditing of the Scheme's annual report and accounts and periodic auditing of the Scheme's membership data. In addition, Barnett Waddingham's processes are subject to internal controls procedures.

4.5.3. Barnett Waddingham also publishes an annual Assurance Report on Internal Controls that is externally audited.

4.6. The Trustees believe that these measures enable it to monitor the promptness and accuracy of core financial transactions.

Performance during the scheme year

4.7. In this Scheme year, the SLAs delivered by the administrator have averaged 95%.

4.8. During the Scheme year, following an initial member enquiry relating to the investment allocation of their funds, it was discovered that a number of member investment profiles had been incorrectly set to the Scheme's previous default, the Annuity Lifestyle strategy, rather than their self-selected investment choices. Barnett Waddingham carried out a root cause analysis of the issue and reported that their administration systems team had inadvertently updated the profiles of the members as part of a task to streamline how member profiles are displayed on member records.

Barnett Waddingham provided comfort to the Trustees that they have updated their lifestyling and monthly contribution processes to include additional checking in order to avoid impacting members inadvertently. In addition, Barnett Waddingham met all costs to put the members back into the correct position had the error not occurred.

4.9. In the previous Scheme year, following the business transfer of Equitable Life to Utmost Life and Pensions on 1 January 2020, the Scheme's investment policy with Utmost was surrendered by the Trustees. The policy surrender payment of £2,357,861 was made by Utmost into the Trustees bank account on 13 March 2020. For members invested in the Equitable Life With-Profits Fund at 31 December 2019 during the period 1 January 2020 until the date of the policy surrender, these funds were invested in the Utmost Secure Cash Fund.

The unforeseen outbreak of the global COVID-19 pandemic at the time of receipt of this payment created short-term logistical and resourcing issues at the Scheme administrators, including enforced closure of all offices and a shift to home working for all staff. This, coupled with mistakes made in the Scheme administration processes, resulted in the surrender payment not being invested in the Scottish Widows platform funds until 14 April 2020 (the current Scheme year).

The members have now been put in the position they would have been in each of these individual investment funds identified had the surrender payment been invested at the first available opportunity.

The Scheme administrator has made good the funds required to achieve this position. All members affected have been notified of this. Whilst acknowledging the unprecedented circumstances contributing to this delay, the Trustees in tandem with the Scheme administrators have reviewed their internal controls and contingency plans, and are comfortable reasonable steps are in place to avoid any such recurrence.

4.10. Aside from the above, any issues throughout the year were raised for the Trustees' consideration in the regular administration reports with a plan for resolving each issue. When the Trustees agreed the recommended actions (if agreement was necessary), these actions were then carried out. There were no outstanding issues for the Scheme year at the date of completion of this statement.

Assessment

4.11. In view of the controls and monitoring arrangements, and the low volume of issues experienced during the Scheme year, the Trustee believes that, outside of the issues highlighted above, that core financial transactions have been processed promptly and accurately.

5. Charges and transaction costs

5.1. Members bear charges deducted from the funds in which their DC pension savings are invested. The charges differ between the investment options available and consist of both explicit and implicit charges:

5.1.1. Explicit charges: these are collected by explicit deduction of investment units and are expressed as a percentage of the value of each member's holdings within an investment fund. We refer to these explicit charges as the Total Expense Ratio (TER).

5.1.2. Implicit charges: these relate to the charges and costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the explicit charges. These implicit charges vary according to each fund's investment approach and prevailing market conditions. We refer to these implicit charges as the Transaction Costs.

Charges in relation to the Scheme

5.2. The following table provides details of the TER charges and transaction costs for the Scheme investment default strategy and each of the individual investment funds in which members may choose to invest over the Scheme year (data sourced from each investment manager via Scottish Widows).

Investment option	TER (p.a.)	Transaction costs** (p.a.)
Default – Continued Lifestyle Strategy*	0.304-0.308%	0.034% – 0.148%
BlackRock Aquila (50:50) Global Equity Index Fund	0.106%	0.00%
BlackRock DC Diversified Growth Fund	0.704%	0.460%
Standard Life GARS Fund	0.819%	0.635%
Capital International Emerging Markets Total Opportunities Fund*	0.999%	0.904%

Investment option	TER (p.a.)	Transaction costs** (p.a.)
BlackRock Aquila Corporate Bond All Stocks Index Fund	0.115%	0.000%
BlackRock Aquila Over 15 Year UK Gilt Index Fund	0.103%	-0.036%
BlackRock Aquila Index-Linked Over 5 year Gilt Index Fund	0.103%	0.000%
BlackRock Sterling Liquidity Fund	0.164%	0.011%
BlackRock Aquila Emerging Markets Equity Index Fund	0.314%	0.000%
BlackRock Aquila European Equity Index Fund	0.114%	-0.002%
BlackRock Aquila Japanese Equity Index Fund	0.111%	0.000%
BlackRock Aquila Pacific Rim Equity Index Fund	0.114%	0.000%
BlackRock Aquila UK Equity Index Fund	0.102%	0.000%
BlackRock Aquila US Equity Index Fund	0.106%	0.000%
Newton Real Return Fund	0.844%	0.441%
LGIM Retirement Income Multi Asset Fund	0.399%	0.041%
LGIM Diversified Fund	0.409%	0.004%

* The quoted charges and transaction costs for the default continued lifestyle strategy are calculated as a composite of the underlying fund charges and transaction costs applicable for each of the five individual investment funds which make up the default strategy. These fund holdings and therefore the charges will vary depending upon each member's term to retirement age.

** In certain circumstances, the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes down the price of the asset being traded, whilst the transaction was in progress, resulting in the asset being purchased for a lower price than when the trade was initiated.

Impact of costs and charges

5.3. To demonstrate the impact of the costs and charges, the Trustees have produced illustrations in line with statutory guidance. These illustrations are set out below, and are designed to cater for representative cross-sections of the Scheme's membership.

5.4. For each individual illustration, each savings pot has been projected twice: firstly for the assumed investment return before costs and charges of the fund are applied; and secondly for the assumed investment return after the costs and charges of the fund are applied.

5.5. To determine the parameters used in these illustrations, the Trustees have analysed the Scheme's membership relevant to the reporting period of this statement and ensured that the illustrations take into account the following:

5.5.1. A representative range of pot sizes.

5.5.2. A representative range of costs and charges, including the lowest and the highest.

5.5.3. A representative period of membership, covering the approximate duration that the average member would take to reach target retirement age.

5.6. For the purpose of simplifying the impact of costs and charges, the Trustees have decided to produce illustrations that assume no future contributions will be paid.

Parameters used for the illustrations

5.7. The following confirms the parameters for the illustrations produced:

5.7.1. To determine the parameters used in these illustrations, the Trustees have analysed the Scheme membership data relevant to the reporting period of this statement and ensured that the illustrations take into account the following:

- A representative range of real terms investment returns, including the lowest, the highest and the most popular (by number of members);
- A representative range of costs and charges, including the lowest and the highest;
- Representative pot sizes – the following illustrations have been provided:
  - illustrative pot size of £10,000; and
  - Illustrative pot size of £100,000.

5.7.2. The starting ages from which the illustrations are projected are 23 and 48. The Trustees have selected these two scenarios as they reflect the youngest member of the Scheme and the median age of the Scheme's membership based on the 2021 membership segmentation analysis the Trustees carried out.

5.7.3. Values shown are estimates and not guaranteed.

5.7.4. Projected pot sizes are shown in today's terms, so recognise the effects of future inflation which is assumed to be at a rate of 2.5% p.a. For certain Funds this means, based on the fund growth rate applied, the real value of the savings pot relative to the impact of price inflation is assumed not to increase over time.

5.7.5. The starting date for the illustrations is 31 March 2021.

5.7.6. The projected growth rates, gross of costs and charges, for each fund or arrangement are in line with the 2021 Statutory Money Purchase Illustrations (SMPI). We provide details for each investment option used to produce the illustrations in the table below:

Investment option	Assumed return above inflation	TER	Transaction Cost*
Default – Continued Lifestyle Strategy	4.00% to -1.50%	0.304-0.308%	-0.036-0.904%
Capital International Emerging Markets Total Opportunities Fund	3.00%	0.999%	0.904%
BlackRock Aquila UK Equity Index Fund	4.50%	0.102%	0.000%

*Statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations. As we have data for the last three years only, the figures are the average over the three years to 31 March 2021

Default - Continued Lifestyle Strategy

5.8. This has been included as it is the default investment arrangement for the Scheme and the investment option in which the largest number of members invest.

Years from taking benefits	Starting pot size £10,000 Aged 23		Starting pot size £100,000 Aged 48	
	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£100,000	£100,000
1	£10,146	£10,110	£101,463	£101,098
3	£10,560	£10,451	£105,595	£104,506
5	£11,149	£10,966	£111,488	£109,662
10	£13,151	£12,726	£131,510	£127,261
15	£15,573	£14,780	£155,733	£147,800
20	£18,442	£17,165		
25	£21,839	£19,936		
30	£25,861	£23,153		
35	£30,624	£26,890		
40	£36,265	£31,229		

5.9. Note on how to read this table: If an active member aged 23, had £10,000 invested in this strategy on 31 March 2021 when they came to retire at age 63, the fund could grow to £36,265 if no charges were applied. The impact of the costs and charges over time, however, would mean that at age 63 the fund value would be £31,229. The default involves automatic switching to alternative investment funds as normal retirement age approaches. Because the assumed growth on the fund and charges vary, the closer a members is to normal retirement age, the illustration does not mean someone ten years from taking benefits with a starting pot of £10,000 would have a pot after charges of £12,726.

Capital International Emerging Markets Total Opportunities Fund

5.10. This has been included as it is the Fund with the highest charges in which all members may choose to invest.

Years from taking benefits	Starting pot size £10,000 Aged 23		Starting pot size £100,000 Aged 48	
	Before charges	After charges	Before charges	After charges
0	£10,000	£10,000	£100,000	£100,000
1	£10,293	£10,124	£102,927	£101,242
3	£10,904	£10,377	£109,040	£103,772
5	£11,552	£10,637	£115,516	£106,366
10	£13,344	£11,314	£133,440	£113,137
15	£15,414	£12,034	£154,145	£120,339
20	£17,806	£12,800		
25	£20,569	£13,615		
30	£23,761	£14,482		
35	£27,447	£15,403		
40	£31,706	£16,384		

5.11. Note on how to read this table: If an active member had £10,000 invested in this strategy on 31 March 2021, after 10 years of membership, the fund could grow to £13,344 if no charges were applied, but to £11,314 with charges applied.

BlackRock Aquila UK Equity Index Fund

5.12. This has been included as it is the Scheme fund with the lowest charges.

Years from taking benefits	Starting pot size £10,000 Aged 23		Starting pot size £100,000 Aged 48	
	Before charges	**After charges**	**Before charges**	**After charges**
0	£10,000	£10,000	£100,000	£100,000
1	£10,390	£10,384	£103,902	£103,835
3	£11,217	£11,195	£112,170	£111,952
5	£12,110	£12,070	£121,096	£120,704
10	£14,664	£14,569	£146,642	£145,694
15	£17,758	£17,586	£177,577	£175,859
20	£21,504	£21,227		
25	£26,040	£25,622		
30	£31,534	£30,926		
35	£38,186	£37,329		
40	£46,241	£45,058		

5.13. Note on how to read this table: If an active member had £10,000 invested in this strategy on 31 March 2021, after 10 years of membership, the fund could grow to £14,664 if no charges were applied, but to £14,569 with charges applied.

Value for members

5.14. The Trustees are required to assess annually the extent to which the charges and transaction costs borne by members represent good value.

5.15. Analysis was undertaken by the Trustee's professional advisers, Barnett Waddingham, for the Scheme year ended 31 March 2021 and the findings set out in a report dated August 2021. The Trustees considered the report and confirmed its value for members' assessment at a meeting on 17 September 2021. Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by members and whether performance of the services had been effective.

5.16. In relation to the Scheme's provision, the member-borne charges and transaction costs relate only to the investment services. The Company meet all other costs and charges.

5.17. The Trustees assessment concluded that overall the Scheme provided good value during the reporting period in relation to the charges and transaction cost borne by members.

5.18. In reaching this conclusion, the Trustees recognised:

5.18.1. The implementation of the changes to the Scheme's investment strategy in March 2021 following the 2018/19 strategy review which resulted in the following changes:-

- Replaced the existing Default which targeted annuity purchase at retirement to the Continued Investment Lifestyle Strategy which targets flexible drawdown in retirement.
- Amended the underlying funds in each of the three Lifestyle Strategies available

- Added two new funds to the self-select options available, the Legal & General Diversified Fund and the Legal & General Retirement Income Multi-Asset Fund
- Removed the Standard Life GARS Fund as part of the Lifestyle Strategies and as a self-select fund choice

5.18.2. The diversity of investment options and funds available in which members may choose to invest. This includes the choice of three lifestyle strategies appropriate to how members may wish their fund investments to be automatically changed as their target retirement age approaches, relative to how they may wish to access their Scheme funds at this time.

5.19. The Trustees' assessment considered only those services for which members bear or share the costs. Factors that were not considered, but that add value include:

5.19.1. The services paid for by the Company, which include the Scheme's administration, consulting, legal and audit services;

5.19.2. The Company's contributions; and

5.19.3. The operation of salary sacrifice, providing an optional, cost efficient way for members to contribute to the Scheme.

6. Trustee knowledge and understanding

The Trustee Board

6.1. During the reporting period, the Trustees comprised four trustees, two of whom are nominated by the members and two who are appointed by the Company.

6.2. One of the member nominated Trustees, Marcus Lethaby, acts as the Chair.

Trustee knowledge and understanding requirements

6.3. Trustees are required to be conversant with the Scheme's main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets to enable them to properly exercise their functions.

Approach

6.4. The Trustees aim to remain conversant with the Scheme's Trust Deed and Rules (TD&R) as well as all other Scheme documents such as the Statement of Investment Principles (SIP), the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the Scheme year and access to professional advice.

6.5. The Trustees aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets through a combination of training and taking professional advice.

6.6. An induction process is in place for newly appointed Trustees, which involves completion of The Pensions Regulator's trustee toolkit within 6 months of appointment.

6.7. The prioritisation of ongoing Trustees training considers the areas of business the Trustees are expected to address during each reporting period, and an assessment of the individual and collective current knowledge and future training needs identified are assessed relative to these considerations. A training log is maintained in relation to training undertaken and is reviewed at each Trustees meeting.

6.8. In addition, emerging legislation and market developments are considered at each regular quarterly Trustees' meeting. Any expected impact and timing of such developments are reflected in the Trustees' Business Plans and any future training needs are identified and assessed relative to these considerations.

6.9. The Trustees supplement the structured training above with activities such as attending relevant seminars and conferences whenever feasible to do so.

6.10. The Trustees consult with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the Trustees on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Scheme's documents, attending Trustees meetings and often in the delivery of training at these meetings.

Activities over the Scheme year

6.11. The Trustees by reference to the existing TD&R and pensions and trust law, and with regard to the investment of scheme assets, during the Scheme year:

6.11.1. Following consultation with the Company the Trustees implemented the changes to the Scheme's default investment strategy with the exercise completed in March 2021.

6.11.2. Updated the SIP to reflect the revised investment default, the underlying funds in the alternative lifestyle strategies and the changes made to self-select funds.

6.11.3. Reviewed their investment advisers objectives, in line with new regulatory requirements.

6.11.4. Gave due consideration in the exercise of their powers relating to the distribution of benefits payable in the event of a members death.

6.11.5. Reviewed how they communicate with the membership and reached the decision to switch to paperless communications with effect from 30 June 2021. The Trustees issued the required regulatory notices to members, informing them of the changes and provided the opportunity for individuals to elect to still receive paper copies of communications.

6.11.6. Where deemed necessary, input was sought from the Trustees advisers.

6.12. During the year the Trustees also reviewed, and where appropriate updated, the following Scheme documents:

6.12.1. Payment Schedule

6.12.2. Register of conflicts of interest

6.12.3. Internal Dispute Resolution Procedure

6.12.4. Business plan and budgets

6.12.5. Risk register

6.12.6. Scheme Member Guide

6.12.7. Trustees training log

6.13. The Trustees' training programme priorities were reviewed ongoing at each quarterly meeting, as part of ongoing business planning and consideration of future pension regulatory changes.

6.14. The Trustees received training at Trustees meetings over the Scheme year on the following topics:

6.14.1. The statutory requirements to move to electronic communications.

6.14.2. The Money Purchase Annual Allowance

6.14.3. Standards, trends, and future expectations in complying with DC scheme regulation including the push of the government towards scheme consolidation.

6.14.4. Legislative updates required to the Scheme SIP from 1 October 2020.

6.14.5. LGIM provided training on LGIM's asset allocation, DGF beliefs, and strategic asset allocation vs dynamic income allocation.

6.15. In addition, the Trustees took professional advice on:

6.15.1. Compliance with the disclosure of costs, charges and investments requirements.

6.15.2. Setting the Trustees policy to Environmental, Social and Governance (ESG) issues;

6.15.3. Undertaking the annual value for members assessment; and

6.15.4. Investment accumulation rate assumptions used for members' statutory money purchase illustrations.

6.15.5.

Assessment

6.16. The Trustees consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly exercise their trustee functions.

Marcus Lathaby...	*23/09/2021*..
Marcus Lethaby, Chair of the Trustees	Date

CNR International (UK) Limited Pension Scheme

Statement of Investment Principles

August 2021

Contents

1. Introduction

1.1. This Statement of Investment Principles ("the Statement") has been prepared by the Trustees ("the Trustees") and relates to the defined contribution (DC) benefits provided through the CNR International (UK) Limited Pension Scheme ("the Scheme)". The Statement sets down the principles which govern the decisions about the investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustees have consulted CNR International (UK) Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates).

1.4. The Trustees will review this Statement at least every three years or if there is a significant change in any of the areas covered by the Statement or the demographic profile of members.

1.5. The investment powers of the Trustees are set out in Section 12.9 of the Definitive Trust Deed and Rules, dated 18 March 2002. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustees carefully consider their Investment Objectives, shown in the appendix, when designing the range of investment options to offer to its members. The Trustees also acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings – and therefore, whilst seeking good member outcomes net of fees, it also considers the level of risk that is appropriate based on the anticipated needs of the membership profile of the Scheme.

2.2. The Trustees set the overall investment target and then monitor the performance of their managers against that target. The Trustees' policy is to offer a default investment arrangement plus a core range of investment funds suitable for the Scheme's membership profile into which members can choose to invest their contributions and those contributions made by the employer. Details of these are given in the Appendix. In doing so, the Trustees consider the advice of their professional advisers, whom they consider to be suitably qualified and experienced for this role.

2.3. The day-to-day management of the Scheme's assets is delegated to the investment managers. The Scheme's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights. The investment managers are accessed through an investment platform provider, Scottish Widows.

2.4. The Trustees monitor the appropriateness of the Scheme's investment strategy on an ongoing basis. This includes consideration of the continued competence of the investment managers with respect to their performance within any guidelines set. The Trustees will also consult the employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have discussed and agreed key investment objectives in light of an analysis of the Scheme's membership profile as well as the constraints the Trustees face in achieving these objectives. These are set out in the Appendix.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

5. The balance between different kinds of investments

5.1. Members can choose to invest in any of the funds detailed in the Appendix or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by the employer, are invested, the Trustees will invest these contributions according to the default investment strategy set out in the Appendix.

5.2. The Trustees consider the merits of both active and passive management for the various elements of the Scheme's portfolio and may select different approaches for different asset classes.

5.3. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

6. Risks

6.1. Risk in a defined contribution scheme lies with the members themselves. The Trustees have considered a number of risks when designing and providing suitable investment choices to members. A comprehensive list of risks is set out in the Trustee risk register, however, the main investment risks affecting all members are:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustees make available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the value of assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangements made available through the Scheme (see Appendix), the Trustees change the proportion and type of investments so that in the run up to retirement the investments gradually start to more closely match how the Trustees expect members to access their retirement savings. The Trustees keep under review the appropriateness of the strategies.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustees periodically review the appropriateness of the investment options offered to ensure member outcomes can be maximised. Communications to members will seek to encourage them to regularly review the level of their contributions, but ultimately this is a risk which lies with each member.
Investment manager risk	The Trustees monitor the performance of the Scheme's investment managers on a regular basis in addition to having meetings with them from time to time as necessary. The Trustees have a written agreement with Scottish Widows, the platform provider, which contains a number of restrictions on how they operate the Scheme's investments.
Concentration/ Market risk	Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by the investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

7.1. The Trustees have regard to the relative investment return, net of fees, and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, whom they have deemed to be appropriately qualified. However, the day-to-day selection of investments is delegated to the investment manager.

7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

8. Realisation of investments

8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment manager.

9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

9.1. The Trustees, with their investment advisor, have considered the financial materiality of environmental, social and governance issues, including climate change (referred to together as "ESG issues"), within their default investment strategy and self-select member options. The Trustees view ESG issues within an investment context as financially material, however, the Trustees appreciate that taking ESG into account within an investment strategy process will yield different returns and/or risks for different asset classes. The Trustees' view on ESG integration within each asset class is outlined below:

9.1.1. Passive equities – the Trustees accept that when investing passively in equity index tracker funds, there is little that the manager can do within the investment process selecting stocks. However, the Trustees believe that positive engagement on ESG issues can lead to improved risk-adjusted returns. Therefore, the Trustees look to the passive equity manager to positively engage with companies where there is scope to improve the way ESG issues are taken into account when running the company.

9.1.2. Passive gilts and cash – the Trustees do not believe there is scope for ESG issues to improve risk-adjusted returns within the Scheme's passive gilt and cash holdings.

9.1.3. Passive corporate bonds – the Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's corporate bond managers given ESG factors can be informative with regard to risk adjusted returns. However, in respect of passive corporate bond funds, the managers cannot actively select issues based on ESG criteria but acknowledge stewardship potential, covered in the next section.

9.1.4. Multi-asset and credit funds – the Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's multi-asset fund and credit managers given these funds have a degree of active management and some scope to select stocks by ESG factors. The investment process for each multi-asset fund manager should take ESG into account in the selection, retention and realisation of investments. Further to this, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

9.2. The Trustees are also cognisant of the different investment timeframes that members will have. Further to this, the Trustees believe that ESG issues will be more important for members who are further from retirement, as the financial materiality of such issues will have a greater impact over their longer timeframe. Therefore, within the Scheme's default investment strategy, the Trustees consider the financial materiality of ESG over various timeframes and will consider changes in relation to this as part of their periodic investment reviews.

9.3. The Trustees are comfortable that all of the investment managers are managing the respective funds with ESG taken into account, where appropriate, for that particular asset class and within applicable guidelines and restrictions.

9.4. Before considering any new mandate, the Trustees will consider if the manager is a signatory to the United Nations supported Principles for Responsible Investment (PRI). At time of writing, all of the Scheme's investment managers are PRI signatories.

9.5. The Trustees will take advice on ESG from their advisers and report on the ESG in an implementation statement in the annual Trustees Report and Accounts, which is available to members.

Stewardship

9.6. Stewardship encompasses the exercise of rights (including voting rights) attaching to the Scheme's investments, and the engagement by and with investment managers.

9.7. The Trustees delegate responsibility for stewardship activities attaching to the Scheme's investments to its investment managers. Managers are expected to exercise voting powers with the objective of preserving and enhancing long term shareholder value. In addition to the exercise of voting rights, managers are expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks.

9.8. The Trustees periodically review engagement activity undertaken by their investment managers to ensure that the policies outlined above are being met and may explore these issues with its investment managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers.

9.9. The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and expect the Scheme's investment managers to have corporate governance policies in place which comply with these principles.

Engagement activities

9.10. The Trustees acknowledge the importance of ESG within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

9.11. The Trustees are of the belief that ESG considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

9.12. The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

9.13. The Trustees also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

9.14. Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

9.15. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG factors, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

9.16. The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

9.17. The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees/investment manager and the investee companies.

9.18. In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

Non-financial matters

9.19. The Trustees do not make specific allowance for non-financial matters (such as member ethical views) within the investment strategy. However, the Trustees consider that it is important to ensure that a suitable range of funds are offered for members who wish to express an ethical preference in their pension saving and review these provisions from time to time.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment polices

10.1. Prior to appointing an investment manager, the Trustees consider the investment manager's approach to the management of ESG risks with input from the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.

10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG risks integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

10.3. The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. Within the default solution and core fund range, the Trustees monitor the investment managers' approach to ESG risks on an annual basis.

10.4. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG risks, using the approach expected of them, their appointment will be reviewed and potentially terminated.

10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.6. The Trustees are mindful that the impact of ESG factors have a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG factors may occur over a much shorter term than the factors themselves.

10.7. When considering the management of objectives for an investment manager (including ESG objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

10.8. The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

10.9. The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.

10.10. With the exception of cash in bank accounts, the Scheme invests exclusively in pooled funds. The investment manager is remunerated based on the assets they manage on behalf of the Scheme. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.

10.11. The Trustees believe that this fee structure enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.12. The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly.

Portfolio turnover costs

10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

10.14. During the investment manager appointment process, the Trustees' investment consultant will consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if they have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

Duration of arrangement with asset manager

10.15. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.

10.16. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs and the membership profile of the Scheme is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Monitoring

11.1. **Investment Performance:** The Trustees review the performance of each investment option offered through the Scheme against the stated performance objective and, in doing this, the Trustees receive a performance monitoring report on a regular basis. This monitoring takes into account both short-term and long-term performance. The investment manager's overall suitability for each mandate will be monitored as frequently as the Trustees consider appropriate in light of both its performance and other prevailing circumstances.

11.2. **Objectives:** The Trustees monitor the suitability of the objectives for the Scheme (as detailed in the Appendix) and performance (net of fees) against these objectives at least every three years and also when there is any significant change in the investment policy, underlying economic conditions or the profile of the members.

11.3. **Investment Choices:** The Trustees monitors the ongoing appropriateness of the investment choices offered on a periodic basis.

12. Agreement

12.1. This Statement was agreed by the Trustees, and replaces any previous statements. Copies of this Statement and any subsequent amendments will be made available to the employer, the investment managers and the Scheme auditor upon request.

Agreed by the Trustees of the CNR International (UK) Limited Pension Scheme on 20 August 2021.

Appendix 1 Note on investment policy in relation to the current Statement of Investment Principles dated August 2021

1. The balance between different kinds of investment

The Trustees' main investment objectives are:

- to provide a suitable default investment option that is likely to be suitable for a typical member;
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different needs and objectives; and
- seek to achieve good member outcomes net of fees and subject to acceptable levels of risk.

The Trustees are responsible for the design of the default investment option and for choosing which investment options to make available to members. Members are responsible for their own choice of investment options (including where the default investment option is selected for them because they have not selected other funds).

The Trustees have made available a range of funds to suit the individual needs of the Scheme's members. For example, a range of equity funds is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Bond and cash funds are also offered for those members who are less comfortable with the likely volatility of the equity funds.

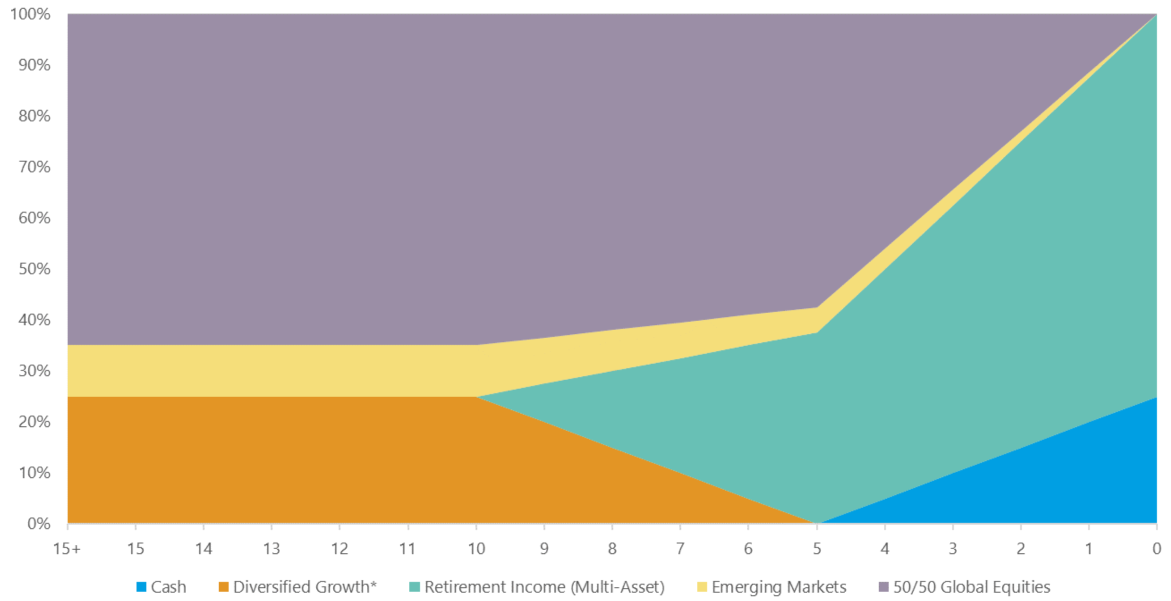
Alternatively, the Trustees have made available a lifestyle arrangement, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to protection assets over the years preceding the member's target retirement date so as to protect the purchasing power of the retirement savings.

The lifestyle arrangement is constructed from some of the funds mentioned above that are offered to members wanting to manage their own asset allocation decisions.

2. Default option

The Trustees acknowledge that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single investment option that will be suitable for each individual member. However, having analysed the Scheme's membership profile, the Trustees decided that the lifestyle arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested. The aims, objectives and policies relating to the default option are intended to ensure that assets are invested in the best interests of relevant members and their beneficiaries.

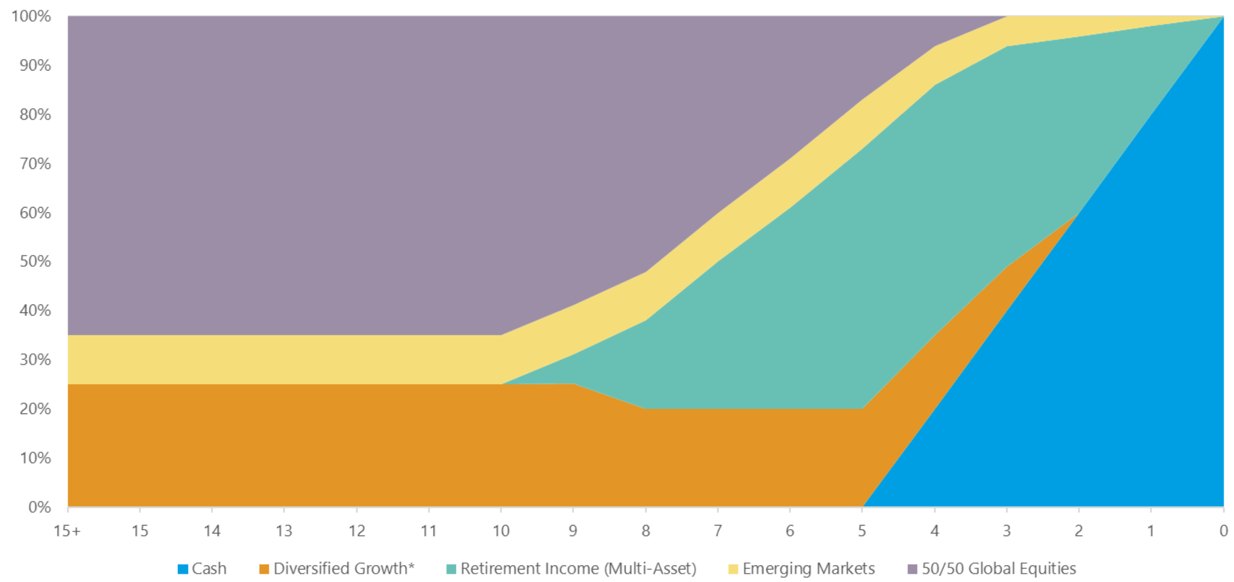
The objective of the continued investment lifestyle strategy is to grow members' assets during the accumulation phase whilst managing downside risk. It then shapes member's assets towards a portfolio at retirement designed to be appropriate to regular withdrawals over the course of a member's retirement. This is consistent with the Trustees' main investment objectives.



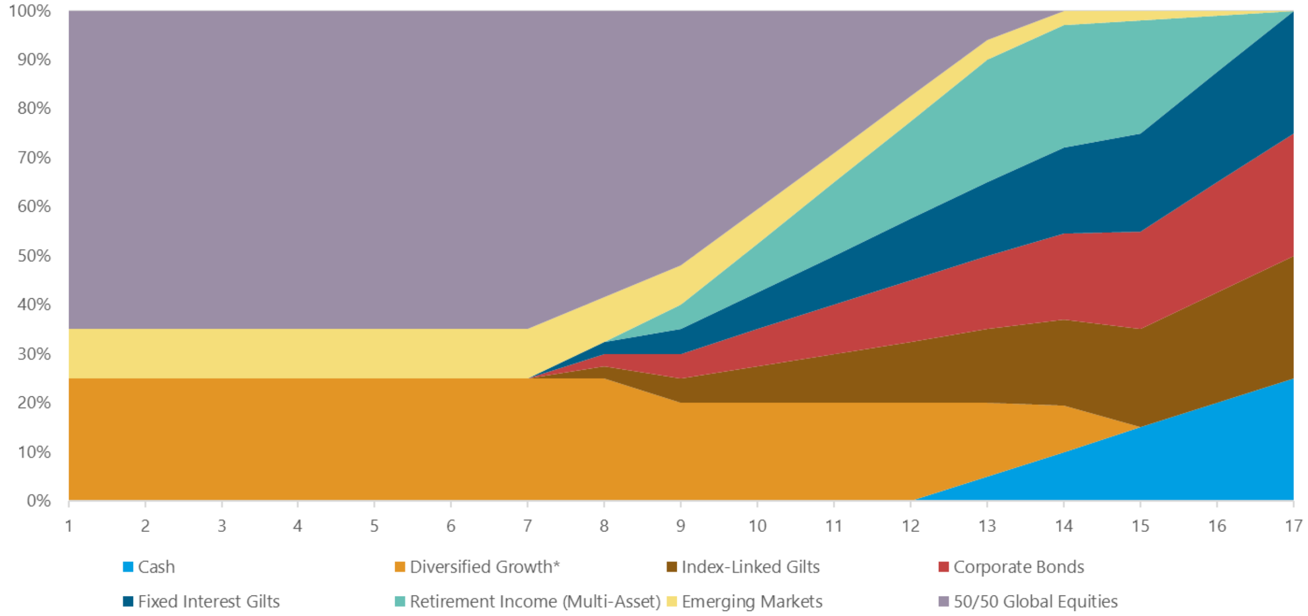
3. Alternative investment options

Acknowledging the challenge of identifying the best solution for different groups of members, and in focusing on its key objective, the Trustees have focused on the default strategy. Alongside the default investment option, the Trustees also make available a range of alternative investment choices as set out below:

Cash lifestyle strategy



Annuity investment lifestyle strategy



Self-select fund range

The self-select fund range includes all the investment funds used for the lifestyle strategies and some additional funds. The entire fund range is shown in the table below:

Investment manager	Fund	Benchmark	Objective
Blackrock	Aquila 50/50 Global Equity Index	50% FTSE All-share and 50% overseas equity	To match benchmark performance
	BlackRock DC Diversified Growth	Bank of England Base Rate	Outperform benchmark by 3.5% p.a. (gross of fees) over rolling 3 year periods
	Aquila Corporate Bond All Stocks Index	iBoxx UK Sterling Non-Gilts All Maturities	To match benchmark performance
	Aquila Index-Linked Over 5 Year Gilt Index	FTSE Actuaries UK Index-Linked Over 5 Years	To match benchmark performance
	Aquila Over 15 Year UK Gilt Index	FTSE Actuaries UK Conventional Gilts Over 15 Years	To match benchmark performance
	BlackRock Sterling Liquidity	7 day LIBID	Outperform benchmark
	Aquila UK Equity Index	FTSE All Share	To match benchmark performance
	Aquila Pacific Rim Equity Index	Zurich Aquila Pacific Rim Custom BM	To match benchmark performance
	Aquila US Equity Index	FTSE USA	To match benchmark performance
	Aquila European Equity Index	FTSE Developed Europe ex UK	To match benchmark performance
	Aquila Emerging Markets Equity	MSCI Emerging Markets	To match benchmark performance
	Aquila Japanese Equity Index	Zurich Aquila Japan Custom BM	Meet benchmark net/gross of fees
Capital Group	Emerging Markets Total Opportunities	MSCI Emerging Markets	Outperform benchmark
Newton	Real Return Fund	LIBOR GBP 1 month	Outperform benchmark by over 4% p.a. (gross of fees) over rolling 5 year periods
LGIM	Diversified Fund	FTSE Developed World Index-50% GBP hedged	Perform broadly in line with comparator
	Retirement Income Multi Asset Fund	Bank of England base rate	Comparator +3.5% p.a.