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

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

Scheme year - 1 April 2019 to 31 March 2020

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. Default investment arrangement

2.1. The Scheme's default investment arrangement is the Annuity Lifestyle Strategy ("the default").

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

2.2.1. 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.

2.2.2. 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 Standard Life Global Absolute Return Strategies (GARS) Funds and 10% to the Capital International Emerging Markets Total Opportunities Fund.

2.2.3. 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 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 is for members to be invested in an equal allocation of 25% across these four funds.

Aims and objectives of the default

2.3. 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.

2.4. 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 purchase an annuity.

Review of the default

2.5. The latest review of the default commenced on 7 December 2018. Both the default's strategy and performance were considered.

2.5.1. 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.

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

2.5.3. 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.

2.5.4. The Trustees have since, as required, been consulting with the Company regarding the review outcomes and future strategy. During the period since the commencement of the review, the Trustees have 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.

2.5.5. Consultation with the Company concluded on 26 June 2020. Given this, the Trustees currently expect their outcomes from their review will be completed in the first half of 2021.

2.6. In the meantime, the Trustees have reviewed and agreed their policy of how they take into account financially material factors in determining the Scheme investment strategy, including Environmental, Social and Governance (ESG) factors.

Further information on the default

2.7. 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 on 19 September 2019 to include the Trustees' policy regarding ESG.

3. Charges and transaction costs

3.1. 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:

3.1.1. 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).

3.1.2. 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

Scottish Widows Platform Funds

3.2. 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 – Annuity Lifestyle Strategy	0.121%-0.368%*	-0.013%-0.136%*
BlackRock Aquila (50:50) Global Equity Index Fund*	0.107%	-0.025%
BlackRock DC Diversified Growth Fund*	0.769%	0.276%
Standard Life GARS Fund*	0.817%	0.391%

Investment option	TER (p.a.)	Transaction costs** (p.a.)
Capital International Emerging Markets Total Opportunities Fund*	0.999%	0.691%
BlackRock Aquila Corporate Bond All Stocks Index Fund*	0.115%	-0.047%
BlackRock Aquila Over 15 Year UK Gilt Index Fund*	0.103%	-0.035%
BlackRock Aquila Index-Linked Over 5 year Gilt Index Fund*	0.103%	0.018%
BlackRock Sterling Liquidity Fund*	0.164%	0.014%
BlackRock Aquila Emerging Markets Equity Index Fund	0.314%	-0.178%
BlackRock Aquila European Equity Index Fund	0.114%	-0.018%
BlackRock Aquila Japanese Equity Index Fund	0.111%	0.091%
BlackRock Aquila Pacific Rim Equity Index Fund	0.114%	-0.020%
BlackRock Aquila UK Equity Index Fund	0.102%	-0.067%
BlackRock Aquila US Equity Index Fund	0.107%	-0.005%
Newton Real Return Fund	0.844%	0.221%

* The quoted charges and transaction costs for the default annuity lifestyle strategy are calculated as a composite of the underlying fund charges and transaction costs applicable for each of the eight 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.

Equitable Life/Utmost Life & Pensions

3.3. As part of the business transfer agreement following the required legal process, future responsibility for the Trustees policy with Equitable Life transferred to Utmost Life and Pensions on 1 January 2020.

3.4. The following table provides details of the explicit and implicit charges applied to each of the investment options provided through the Scheme's Equitable Life policy over the twelve month period to 31 December 2019; part year information covering the period from 1 April 2019 not being available (data sourced from Utmost Life and Pensions):

Investment option	Fund Annual Management Charge	OEIC Net Transaction Cost (1)	Stocklending (2)	Transaction Cost (3)
Equitable Life Managed Fund (6)	0.75%	0.087800%	N/A	0.008400%
Equitable Life Pelican Fund	0.75%	0.292800%	0.00260%	-0.000400%
Equitable Life UK FTSE All Share Index Tracking Fund	0.50%	0.024200%	0.00200%	0.000200%

Equitable Life Property Fund (5)	1.00%	0.152000%	0%	0.015800%
Equitable Life European Fund	0.75%	0.205500%	0.00270%	0.000200%
Equitable Life North American Fund	0.75%	0.018900%	0.00250%	-0.000200%
Equitable Life Far Eastern Fund	0.75%	0.176500%	0.00170%	0.000300%
Equitable Life International Fund	0.75%	0.132600%	-0.00070%	-0.000100%
Equitable Life Fund of Investment Trusts Fund	0.75%	0.580000%	0%	-0.085770%
Equitable Life With-Profits Fund	1.00%	N/A (4)	N/A (4)	N/A (4)
Equitable Life Gilt & Fixed Interest Fund	0.50%	0.105200%	0%	0.001500%
Equitable Life Money Fund	0.50%	0.008200%	0%	0%

[1] The costs for the underlying OEICs held by each Fund are calculated on the full arrival price slippage methodology.
[2] When a Fund lends stock it is entitled to receive a % of the income earned; the remaining % belongs to the stock lending agent. The costs suffered by the Fund are disclosed but not the income in accordance with regulations.
[3] This is the cost incurred on the Fund when it purchases or sells the underlying asset (OEIC) as the price may include a dilution adjustment. The purpose of dilution is to ensure the OEIC performance is not impacted by large investments or disinvestments.
[4] With-Profit Fund information requested has not been made available by Utmost Life and Pensions.
[5] The total fund impact also includes the property management expenses of 0.48% p.a. for the year ended 31 Dec 2019
[6] The calculations for the Managed Funds are based on the relevant calculations for the underlying OEICs held within the portfolio, prorated based on the portfolio percentage held.

3.5. During the period 1 January 2020 to 13 March 2020 the Scheme funds previously invested in the Equitable Life With-Profits Fund were invested in the Utmost UK Secure Cash Fund. This Utmost Secure Cash Fund applies an Annual Management Charge of 0.5%. For the other Funds reflected in the table immediately above from 1 January 2020, whilst the name of the Funds changed as part of the business transfer from Equitable Life to Utmost Life and Pensions, the Fund Annual Management Charges did not. Details of any additional charges or transaction costs have not been made available by Utmost Life and Pensions for the period concerned.

3.6. For the period 13 March 2020 to 31 March 2020, following surrender of the Utmost Life and Pensions policy, all policy surrender funds were held in cash in the Trustees bank account. There were no charges or transaction costs applied to these funds during this period.

3.7. Confirmation of any transition costs arising from the switch of the Equitable Life With-Profits Fund to the Utmost UK Secure Cash Fund requested from Utmost Life and Pensions have to date not yet been provided. Similarly, Utmost have to date also been unable to confirm whether any transition costs applied to the Utmost UK Secure Cash Fund and the additional unit-linked funds on surrender of the policy. Scottish Widows have informed the post Scheme year-end transition costs relating to the investment of the Utmost policy surrender proceeds, calculated on the single-price offer spread basis on the day of investment, was 0.12% (£2,722) of the investment made.

Impact of costs and charges

3.8. 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.

3.9. 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.

3.10. 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:

3.10.1. A representative range of pot sizes.

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

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

3.11. 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.

Guidance to the illustrations

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

3.12.1. The starting pot sizes of £15,000 and £115,000 have been selected as they reflect the mean pot size of the Scheme's aged 18-30 cohort, and at the mean age for the Scheme membership above age 30 respectively, based on the membership segmentation analysis previously undertaken. Actual pot size for each member will be influenced by his or her period of Scheme membership to 31 March 2020 and the contributions paid to this date.

3.12.2. The starting ages from which the illustrations are projected are 28 and 48. The Trustees have selected these two scenarios as they reflect the mean age of the Scheme's 18-30 cohort and that of the Scheme membership above age 30 respectively, based on the 2019 membership segmentation analysis the Trustees carried out.

3.12.3. Values shown are estimates and not guaranteed.

3.12.4. 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.

3.12.5. The starting date for the illustrations is 31 March 2020.

3.12.6. The projected growth rates, gross of costs and charges, for each fund or arrangement are in line with the 2020 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 - Annuity Lifestyle Strategy	4.50% to -1.50%	0.121%-0.368%	-0.007%-0.128%

Capital International Emerging Markets Total Opportunities Fund	3.00%	0.999%	0.641%
BlackRock Aquila UK Equity Index Fund	4.50%	0.102%	-0.049%

*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 two years only, the figures are the average over the two years to 31 March 2020.

Default - Annuity Lifestyle Strategy

3.13. 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 £15,000 Aged 28		Starting pot size £115,000 Aged 48	
	Before charges	**After charges**	**Before charges**	**After charges**
0	£15,000	£15,000	£115,000	£115,000
1	£14,912	£14,875	£114,327	£114,045
3	£14,967	£14,799	£114,745	£113,458
5	£15,382	£15,041	£117,931	£115,316
10	£17,881	£17,086	£137,091	£130,993
15	£21,628	£20,206	£165,817	£154,915
20	£26,160	£23,896	-	-
25	£31,642	£28,260	-	-
30	£38,272	£33,421	-	-
35	£46,291	£39,525	-	-

3.14. Note on how to read this table: If an active member aged 28, had £15,000 invested in this strategy on 31 March 2020 when they came to retire at age 63, the fund could grow to £46,291 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 £39,525. 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 £15,000 would have a pot after charges of £17,086.

Capital International Emerging Markets Total Opportunities Fund

3.15. 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 £15,000 Aged 28		Starting pot size £115,000 Aged 48	
	Before charges	**After charges**	**Before charges**	**After charges**
0	£15,000	£15,000	£115,000	£115,000
1	£15,439	£15,199	£118,366	£116,526
3	£16,356	£15,605	£125,396	£119,639
5	£17,327	£16,022	£132,844	£122,834
10	£20,016	£17,113	£153,456	£131,203
15	£23,122	£18,279	£177,267	£140,141

Years from taking benefits	Starting pot size £15,000 Aged 28		Starting pot size £115,000 Aged 48	
	Before charges	After charges	Before charges	After charges
20	£26,709	£19,525	-	-
25	£30,854	£20,855	-	-
30	£35,641	£22,275	-	-
35	£41,171	£23,793	-	-

3.16. Note on how to read this table: If an active member had £15,000 invested in this strategy on 31 March 2020, after 10 years of membership, the fund could grow to £20,016 if no charges were applied, but to £17,113 with charges applied.

BlackRock Aquila UK Equity Index Fund

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

Years from taking benefits	Starting pot size £15,000 Aged 28		Starting pot size £115,000 Aged 48	
	Before charges	After charges	Before charges	After charges
0	£15,000	£15,000	£115,000	£115,000
1	£15,659	£15,651	£120,049	£119,989
3	£17,064	£17,038	£130,821	£130,627
5	£18,595	£18,549	£142,560	£142,207
10	£23,051	£22,937	£176,725	£175,851
15	£28,575	£28,364	£219,077	£217,455
20	£35,423	£35,074	-	-
25	£43,913	£43,372	-	-
30	£54,436	£53,633	-	-
35	£67,482	£66,322	-	-

3.18. Note on how to read this table: If an active member had £15,000 invested in this strategy on 31 March 2020, after 10 years of membership, the fund could grow to £23,051 if no charges were applied, but to £22,937 with charges applied.

Value for members

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

3.20. Analysis was undertaken by the Trustee's professional advisers, Barnett Waddingham LLP, for the Scheme year ended 31 March 2020 and the findings set out in a report dated 24 August 2020. The Trustees considered the report and confirmed its value for members assessment at a meeting on 18 September 2020. 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.

3.21. In relation to the Scheme's provision, the member-borne charges and transaction costs relate only to the investment services; including until 13 March 2020 the investment, administration record keeping and specified communications provided by the Trustees Equitable Life (and latterly Utmost Life & Pensions) policy. The Company meet all other costs and charges.

3.22. 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.

3.23. In reaching this conclusion, the Trustees recognised:

3.23.1. 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.

3.23.2. The governance of the Trustees investment strategy, including the quarterly monitoring of investment manager performance.

3.24. 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:

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

3.24.2. The Company's contributions; and

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

CNR International (UK) Limited Pension Scheme

Statement of Investment Principles

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;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015; and
- incorporates changes as required by The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

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 has 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.

Signed: Marcus Lethaby……………. **Date: 25 September 2020**…………

On behalf of the Trustees of the CNR International (UK) Limited Pension Scheme

Appendix 1 Note on investment policy in relation to the current Statement of Investment Principles dated August 2019

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.

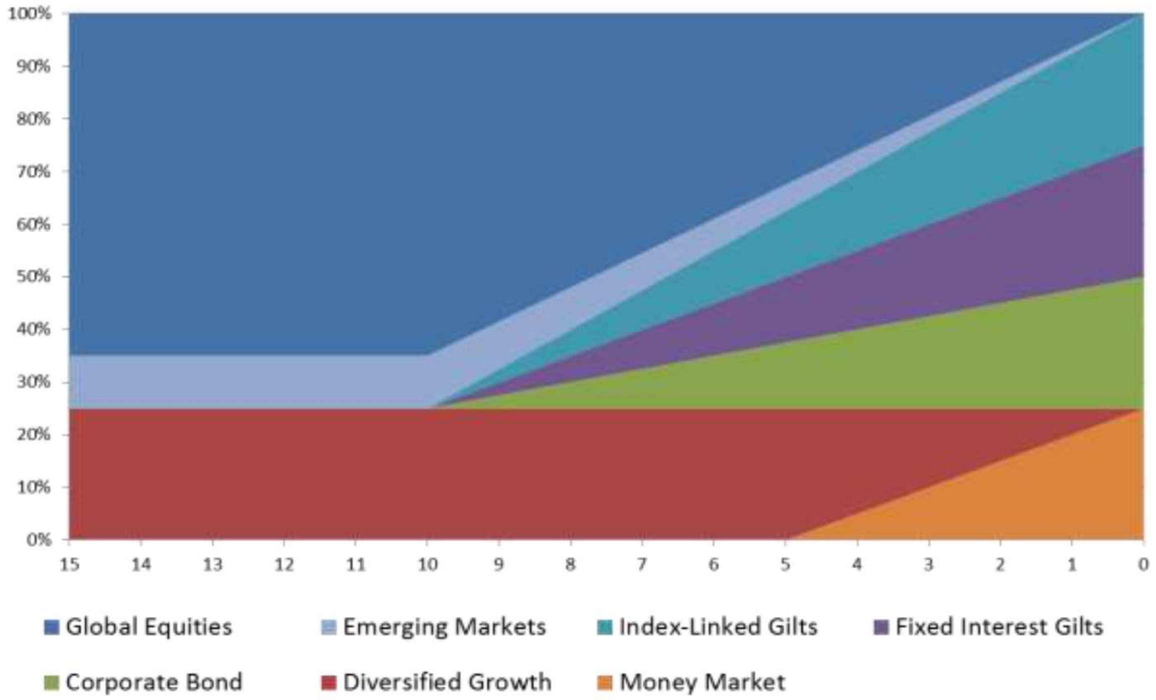
Alternatively, the Trustees have made available a lifestyle arrangement, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment 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.

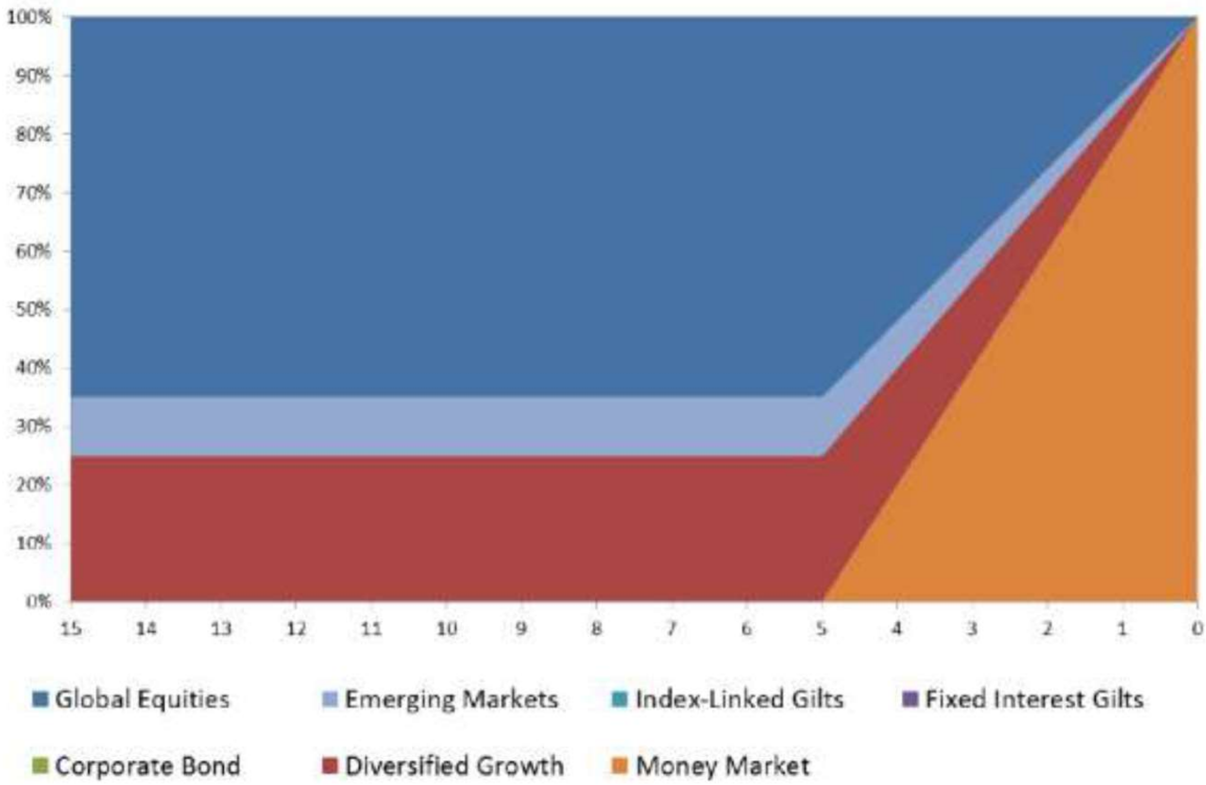
The objective of the annuity investment lifestyle strategy growth members' assets during the accumulation phase whilst managing downside risk. It then shapes member's assets towards a portfolio at retirement which broadly reflects movements in the pricing of annuities. This is consistent with the Trustees' main investment objectives.



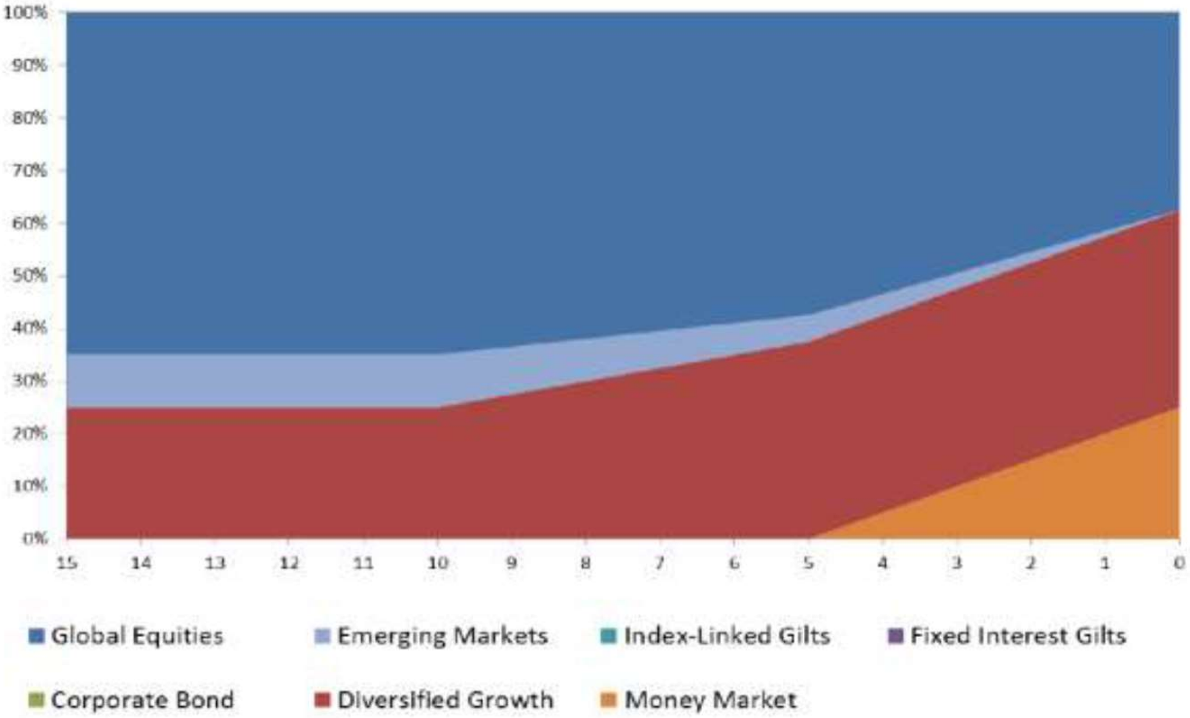
3. Alternative investment options

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 on the following page:

Cash lifestyle strategy



Continued 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
Standard Life	GARS Fund	LIBOR GBP 6 month	Outperform benchmark by 5% p.a. (gross of fees) over rolling 3 year periods

4. Fee agreements

The fee arrangements with the investment managers are summarised below:

Investment manager	Fund	Total expense ratio (p.a.)
Blackrock	Aquila 50/50 Global Equity Index	**0.107%**
	BlackRock DC Diversified Growth	**0.698%**
	Aquila Corporate Bond All Stocks Index	**0.115%**
	Aquila Index-Linked Over 5 Year Gilt Index	**0.103%**
	Aquila Over 15 Year UK Gilt Index	**0.103%**
	BlackRock Sterling Liquidity	**0.164%**
	Aquila UK Equity Index	**0.102%**
	Aquila Pacific Rim Equity Index	**0.114%**
	Aquila US Equity Index	**0.107%**
	Aquila European Equity Index	**0.114%**
	Aquila Emerging Markets Equity	**0.314%**
	Aquila Japanese Equity Index	**0.111%**
Capital Group	Emerging Market Total Opportunities	**0.939%**
Newton	Real Return Fund	**0.854%**
Standard Life	GARS Fund	**0.817%**

The Trustees review these charges periodically as part of the Value for Money assessments.

Equitable Life legacy investments

The Scheme has investments in Equitable Life which from a historical part of the Scheme's assets. The following table contains the Annual Management Charge for each investment option.

Investment option	Fund Annual Management Charge
Equitable Life Managed Fund	**0.75%**
Equitable Life Pelican Fund	**0.75%**
Equitable Life UK FTSE All Share Index Tracking Fund	**0.50%**
Equitable Life Property Fund	**1.00%**
Equitable Life European Fund	**0.75%**
Equitable Life North American Fund	**0.75%**
Equitable Life Far Eastern Fund	**0.75%**
Equitable Life International Fund	**0.75%**
Equitable Life Fund of Investment Trusts Fund	**0.75%**
Equitable Life With-Profits Fund	**1.00%**
Equitable Life Gilt & Fixed Interest Fund	**0.50%**
Equitable Life Money Fund	**0.50%**