

Implementation Statement, covering the Scheme Year from 1 January 2021 to 31 December 2021

The Trustee of the CB&I John Brown Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, it has followed the voting and engagement policies in the Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The last time these policies were formally reviewed was June 2021, when the SIP was updated to reflect investment de-risking actions.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the Scheme Year, by continuing to delegate to investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

Over the Scheme Year:

- the Trustee invested in new funds with Legal & General (the “Matching Core” LDI range). As part of this decision, Legal & General’s approach to selecting and monitoring trading counterparties was considered and determined as both high quality and aligned with the Trustee’s own policies; and
- the Trustee invested in a private European corporate lending fund with StepStone. As part of this decision, StepStone’s approach to incorporating ESG-related risks and opportunities and engaging with borrowers was considered and determined as aligned with the Trustee’s own policies.

3. Description of voting behaviour during the Scheme Year

All of the Trustee’s holdings in listed equities are within pooled funds and the Trustee has delegated to the investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee has not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme’s funds that held equities as follows. As at 31 December 2021, this was relevant for a range of Legal & General regional equity funds, the Legal & General Dynamic Diversified Fund and the Pyrford Global Total Return Fund.

Over the Scheme Year, the Trustee fully redeemed from the Legal & General UK Equity Index Fund. As such, voting data for this fund has not been included.

In addition to the above, the Trustee contacted the Scheme’s other asset managers that don’t hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period.

This included the StepStone Senior Corporate Lending Fund II, the Legal & General Active Corporate Bond – All Stock Fund, a range of Legal & General LDI and Cash Funds, and a range of Legal & General Index-Linked Gilt Funds. LGIM and StepStone confirmed that there were no voting opportunities in relation to these funds over the period in question and, as such, these funds have been omitted from the Statement.

3.1 Description of the voting processes

Legal and General Investment Management (“LGIM”)

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with its position on ESG, it has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with LGIM's voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Pyrford International Ltd ("Pyrford")

All votes are carried out in line with Pyrford's bespoke proxy voting policy. Pyrford does not consult with clients prior to voting however it is always happy to hear client's views on upcoming votes.

Pyrford's policy is to consider every resolution individually and to cast a proxy on each issue. The sole criterion for reaching these voting decisions is being in the best interests of the client. This is part of Pyrford's broader fiduciary responsibility to its clients.

Pyrford has appointed ISS Proxy Voting Services to monitor meetings data and to produce a voting schedule based upon individual client proxy voting guidelines, or Pyrford's guidelines where a client does not provide their own (eg in relation to pooled funds). While Pyrford considers ISS to be providing a 'proxy adviser' service, Pyrford's portfolio managers have the final authority to decide on how votes are cast in line with the relevant guidelines.

Pyrford believes that all proxy votes are important and aims to vote on all ballots received on behalf of its clients. All proxy votes are reviewed by Pyrford's ESG Forum on a quarterly basis. Those deemed to be "significant" are where they believe the outcome could have a meaningful impact on shareholder returns over Pyrford's five-year investment horizon and/or could have a bearing on the decision to continue holding a stock. These could include, but not limited to, management and board appointments and compensation, decisions affecting capital structure as well as company responses to social, environmental or competitive pressures.

3.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below.

	LGIM North American Equity*	LGIM Europe (ex UK) Equity	LGIM Japan Equity	LGIM Asia Pac (ex Japan) Equity	LGIM World Emerging Markets Equity	LGIM Dynamic Diversified	Pyrford Global Total Return
Total size of fund at end of reporting period	£39,540m / £16,495m	£12,959m	£6,577m	£4,926m	£7,331m	£2,808m	£2,031m
Value of Scheme assets at end of reporting period (£ / % of total assets)	£0.9m / £0.8m	£1.6m	£0.8m	£0.7m	£1.5m	£18.6m	£4.5m
Number of equity holdings at end of reporting period	642	488	513	406	1,618	6,669	61
Number of meetings eligible to vote	638	453	442	329	3,627	5,834	66
Number of resolutions eligible to vote	7,846	7,665	5,306	2,308	31,303	59,616	978
% of resolutions voted	99.7%	100.0%	100.0%	100.0%	99.8%	99.8%	88.7%
Of the resolutions on which voted, % voted with management	71.0%	82.2%	86.3%	72.4%	81.8%	80.8%	95.9%
Of the resolutions on which voted, % voted against management	29.0%	17.5%	13.7%	27.3%	16.3%	18.3%	4.1%
Of the resolutions on which voted, % abstained from voting	0.1%	0.3%	0.0%	0.3%	1.9%	0.9%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	94.2%	75.4%	75.3%	66.9%	49.2%	62.4%	33.3%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	22.9%	8.1%	11.0%	15.9%	6.2%	10.8%	0.8%

*Votes cast by GBP hedged/un-hedged funds were identical.

3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period is set out below, including those that:

- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor; and
- have a high media profile or are seen as being controversial.

Legal & General North American Equity Index Fund (GBP Hedged and Un-Hedged)

Berkshire Hathaway Inc., USA, May 2021:

LGIM voted to withhold the proposal to re-elect Director Warren E. Buffett. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM has voted against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and LGIM has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.

97.8% of shareholders supported the re-election of Warren E. Buffett. Despite this, LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Intel Corporation, USA, May 2021:

LGIM voted for the resolution for the company to report on global median gender/racial pay gaps. This was against management recommendation. A vote in favour was applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for clients, with implications for the assets it manages on their behalf. For 10 years, LGIM has been using its position to engage with companies on this issue.

Only 14.3% of shareholders supported the resolution, however LGIM will continue to engage with the company on this issue.

Legal & General Europe (ex UK) Equity Index Fund

Adevinta ASA, Norway, June 2021

LGIM voted against the acceptance of the Financial Statements and Statutory Reports of the company. LGIM stated that the company is deemed to not meet the minimum standards with regards to climate risk management and disclosure.

LGIM will continue to engage with and monitor progress of the company.

VARTA AG, Germany, June 2021

LGIM voted against the election of Director Michael Tojner. This is because LGIM views gender diversity as a financially material issue for clients, with implications for the assets it manages on their behalf. For 10 years, LGIM has been using its position to engage with companies on this issue.

LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Legal & General Japan Equity Index Fund

Sumitomo Mitsui Financial Group, Inc. , Japan, June 2021

LGIM voted against the proposal to amend articles to allow virtual only shareholder meetings. A vote against this proposal is warranted because Japanese companies are able to hold virtual meetings using temporary regulatory relief (without amending articles) for two years, but the passage of this proposal will authorize the company to hold virtual meetings permanently, without further need to consult shareholders, even after the current health crisis is resolved. Also, the proposed language fails to specify situations under which virtual meetings will be held, raising concerns that meaningful exchange between the company and shareholders could be hindered, especially in controversial situations such as when shareholder proposals are submitted, a proxy fight is waged, or a corporate scandal occurs.

81.6% of shareholders supported the resolution. Despite this, LGIM will continue to engage on this important ESG issue.

Nomura Holdings Inc., Japan, June 2021

LGIM voted against the election of Director Noriaki Shimazaki. LGIIM stated that a vote against this nominee is warranted at this time as the audit committee chair, Noriaki Shimazaki, should be held responsible for the company's risk management failures brought to light by the losses from the Archegos collapse.

75.7% of shareholder supported the resolution, however LGIM will continue to engage with the company on this issue.

Legal & General Asia Pacific (ex Japan) Equity Index Fund

UOL Group Limited, Singapore, April 2021

LGIM voted against the election of Director Wee Cho Yaw. This is because LGIM views gender diversity as a financially material issue for clients, with implications for the assets it manages on their behalf. For 10 years, LGIM has been using its position to engage with companies on this issue. As part of LGIM's efforts to influence investee companies on having greater gender balance, it expects companies in well-governed markets to have at least 30% women on their boards.

LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Suntec Real Estate Investment Trust, Singapore, April 2021

LGIM voted against the resolution to 'Adopt Report of the Trustee, Statement by the Manager, and Audited Financial Statements and Auditors' Report'. This is because the company is deemed not to meet the minimum standards with regards to climate risk management and disclosure.

Despite 98.6% of shareholders voting in favour of the resolution, LGIM will continue to engage with the company and monitor its progress.

Legal & General World Emerging Markets Equity Index Fund

Alibaba Group Holding Limited, China, September 2021

LGIM voted to withhold the proposal to re-elect Director Joseph C. Tsai. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM has voted against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and LGIM has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.

73.6% of shareholders supported the re-election of Joseph C. Tsai. Despite this, LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

China Construction Bank Corporation, China, June 2021

LGIM voted against the resolution to 'Approve Report of the Board of Directors'. This is because the company is deemed not to meet the minimum standards with regards to climate risk management and disclosure.

LGIM will continue to engage with the company and monitor its progress.

Legal & General Dynamic Diversified Fund

Recruit Holdings Co., Ltd, Japan, June 2021

LGIM voted against the proposal to amend articles to allow virtual only shareholder meetings. A vote against this proposal is warranted because Japanese companies are able to hold virtual meetings using temporary regulatory relief (without amending articles) for two years, but the passage of this proposal will authorize the company to hold virtual meetings permanently, without further need to consult shareholders, even after the current health crisis is resolved. Also, the proposed language fails to specify situations under which virtual meetings will be held, raising concerns that meaningful exchange between the company and shareholders could be hindered, especially in controversial situations such as when shareholder proposals are submitted, a proxy fight is waged, or a corporate scandal occurs.

83.8% of shareholders supported the resolution. Despite this, LGIM will continue to engage on this important ESG issue.

Mitsubishi UFJ Financial Group, Inc., Japan, June 2021

LGIM voted for the proposal to amend articles to disclose the plan outlining the company's business strategy to align investments with the goals of the Paris Agreement. LGIM voted in favour of this shareholder proposal as LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM positively notes the company's recent announcements around net-zero targets and exclusion policies, they think that these commitments could be further strengthened and believe the shareholder proposal provides a good directional push.

22.7% of shareholders supported this proposal, however LGIM will continue to engage with the company on this issue.

Facebook, Inc., USA, May 2021

LGIM voted to withhold the proposal to re-elect Director Mark Zuckerberg. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM has voted against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and LGIM has reinforced its position on leadership structures across its stewardship activities – eg, via individual corporate engagements and director conferences.

97.2% of shareholders supported the re-election of combined chair and CEO Mark Zuckerberg. Despite this, LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Pyrford Global Total Return Fund

British American Tobacco plc, United Kingdom, April 2021:

Pyrford voted against the remuneration report, which was also against management. This is because the CFO Tadeu Marroco's salary had been increased by a total of 7% in FY2020, having received an uplift of 3% in April 2020 in line with the Company's UK workforce and a further 4% increase in October 2020 following the expansion of his role to Finance and Transformation Director. Subject to continued development and sustained performance in the role, he may receive a further increase of 3% above the UK workforce in April 2022. The CEO Jack Bowles' salary has been increased by 3%. Although this is said to be aligned with the workforce, it follows a 9.5% increase last year and a significant protest vote against executive pay by shareholders at the 2020 AGM. Moreover, his total non-cash benefits for FY2020 were valued at GBP 592,000, which stands out as unusually high in the UK market

Despite some votes against, this remuneration report was approved by the shareholders.

American Express Company, USA, May 2021:

Pyrford voted for the Company to publish annually a report assessing diversity, equity and inclusion efforts, which was against management. Pyrford supported this report being published as it believes that reporting quantitative, comparable diversity data would allow shareholders to better assess the effectiveness of the company's diversity, equity and inclusion efforts and management of related risks.

This proposal was passed by the shareholders.

Imperial Oil Limited, Canada, May 2021:

Pyrford voted for the Company to adopt a corporate wide ambition to achieve net zero carbon emissions. This is because although Imperial Oil's climate risk strategy mirrors that of its US parent, it is a major player in Canada. Based on the public disclosures, Pyrford believes it is comparatively lagging behind its domestic peers in climate change disclosures, the recognition of the vital role it has in addressing climate risk and the federal government's net zero pledge. This may affect its position in the ongoing energy transition taking place in Canada.

This shareholder proposal was not passed. Imperial's president, Chairman and CEO noted that; "We appreciate the voting results from all of our minority shareholders on the shareholder proposal, and to reiterate that we are committed to reducing our greenhouse gas intensity in support of a net zero future. There's certainly no fast and easy solution, but as we look ahead, we believe we have the tools and expertise to not only create value in a competitive marketplace in a way that's profitable to our shareholders, but also in a way that meaningfully contributes to Canada's energy future." Pyrford will continue to engage with the Company.