

Engagement Policy Implementation Statement

Shell Pensions Trust Limited, Trustee of the
Shell Contributory Pension Fund

July 2022

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1. Introduction

This document sets out the actions undertaken by Shell Pensions Trust Limited ("the Trustee"), the trustee of the Shell Contributory Pension Fund ("SCPF"), to implement its stewardship policy set out in the Statement of Investment Principles ("SIP"). The document includes information on voting and engagement undertaken by EOS at Federated Hermes ("EOS") on behalf of the Trustee and an overview of how the voting and engagement policies within the SIP have been implemented during the reporting period.

This engagement policy implementation statement covers the year ending 31 December 2021.

2. ESG policy and monitoring

The Trustee aims to be a responsible steward of the assets in which it invests. The Trustee's primary concern is to act in the best financial interests of its beneficiaries, seeking the best return over time that is consistent with a prudent and appropriate level of risk. The key elements of the Trustee's Responsible Ownership Policy, and a description of how environmental, social and governance ("ESG") considerations are taken into account in the various investment processes that Trustee oversees, are as follows:

- In taking material financial factors, including corporate governance, environmental and social considerations into account, the Trustee expects both to protect and to enhance the value of the SCPF's assets over the long term.
- The Trustee is a signatory to the Principles for Responsible Investment ("PRI") and has adopted the UN Global Compact Principles as its responsible ownership framework for the SCPF assets.
- The SCPF does not make investments in companies that undertake certain type of business activities. At present, this pertains to companies that are involved in cluster munitions or anti-personnel mines.
- The Trustee believes that in most cases engagement with enterprises is a more effective long-term approach than divestment.

The Fund's assets are managed by Shell Asset Management Company B.V. ("SAMCo"), either directly or indirectly through external fund managers.

The Trustee lays out its policy on monitoring, voting and engagement in its Responsible Ownership Policy and has, through SAMCo, engaged EOS to implement this policy in all practicable cases, irrespective of whether SAMCo is managing the portfolio directly or an external manager has been appointed to do so. The Trustee and SAMCo monitor and review the stewardship activities of its stewardship services provider (EOS) through regular interaction and voting and engagement reports.

3. Summary of the Trustee's stewardship policies

The Trustee's approach to stewardship, as set out within its SIP, is as follows:

"The Trustee requires the Investment Manager [SAMCo] either directly, or indirectly through the 3rd party Stewardship Services Provider [EOS], to:

- *Exercise its delegated voting rights in all practicable cases in accordance with the corporate governance principles agreed between the Trustee, the Investment Manager and Stewardship Services Provider.*
- *Report to the Trustee on stewardship activity regularly as required by the Trustee."*

The SIP is publicly available and can be found here:

<http://pensions.shell.co.uk/scpf/resources/scpf-library>

Further information on the Trustee's monitoring, engagement and voting policy is set out in the Trustee's Responsible Ownership Policy.

The Responsible Ownership Policy is publicly available and can be found here:

<http://pensions.shell.co.uk/scpf/resources/scpf-library>

4. Trustee activity over the year – responsible investment

Trustee training

In April 2021, as part of the Trustee's continuing training programme, the Trustee Directors held a Responsible Ownership Workshop with SAMCo and Aon, the SCPF's investment advisor. This workshop provided training on the evolving regulatory environment, SAMCo's ESG policies and ESG implementation developments and explored the Trustee's ESG beliefs to assist in the evolution of ESG and climate risk policies.

Climate risk management and the TCFD

The SCPF continued to progress work towards meeting the requirements as set out as part of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The TCFD disclosures are a set of eleven disclosures to help organisations manage the risks and opportunities presented by climate change and the reporting is required by virtue of the Pensions Act 2021. The Trustee reviewed and documented its governance and overarching approach to managing climate change risks during the year. The Trustee's first TCFD report will cover the period 1 October 2021 to 31 December 2021.

Voting and engagement activity

Introduction

As required by the occupational pension scheme regulations and consistent with the prudent management of the Fund, the SCPF has a highly diversified portfolio. In the listed equity part of the portfolio, it has holdings in over 1,000 different instruments. As a result of this, no single equity holding is material in relation to the total assets of the Fund and the Fund does not hold a significant proportion of the equity of any enterprise. In consequence, the only way in which the Fund can have an influence on enterprises in which it invests is through collective action. To

achieve this the services of EOS, a leading stewardship services provider, are used. The service enables institutional investors to be more influential owners of their assets through dialogue with companies on ESG issues on a collective basis.

The Trustee and SAMCo use a third-party stewardship services provider for a number of reasons, including:

- Harmonising the voting approach across all mandates with all investment managers;
- Optimising the Trustee's monitoring capabilities;
- Allowing the Trustee to impact ESG issues through collective action with other asset owners;
- Enhancing knowledge of ESG issues through collaboration and by being part of a larger network; and
- Alleviating the resource burden on the Trustee and employ greater expertise for all stewardship activities.

The objectives of the policy which EOS implement are:

- Ensuring the companies in which the SCPF invests are taking appropriate steps to produce sustainable financial returns;
- Assessing companies for breaches of generally recognised responsibilities and engaging or signalling the infeasibility of engagement as appropriate if a breach is identified;
- Engaging with companies where necessary through meetings, discussions with other shareholders, participation in collaborative investor initiatives or submission of shareholder resolutions;
- Exercising the Trustee's voting rights in all practicable cases based on its Responsible Ownership Principles, its Global Voting Guidelines and in accordance with the Shell General Business Principles¹;
- Informing companies ahead of meetings if voting against or abstaining from voting a management resolution; and
- Preparing annual and detailed evaluations of its voting and engagement work on the Trustee's behalf.

EOS votes at company meetings in accordance with the principles mentioned above, unless its contact with the company or its interpretation of its disclosures suggest that voting differently would better support the achievement of stewardship objectives and the sustainability of the company. Votes cast by EOS are informed by company-specific research on ESG and other issues that might impact voting decisions. EOS makes voting recommendations based on the unique circumstances of each company, taking local best practice and regulation into account. It

¹ The Shell General Business Principles set out the Company's responsibilities to shareholders, customers, employees, business partners and society.

executes the vote in accordance with the Trustee's interests as a long-term owner and undertakes voting-related engagement with companies.

Voting

Voting policy

EOS make voting recommendations that are, where practicable, engagement-led and involve communicating with company management and boards around the vote. This ensures that their rationale is understood by the company and that the recommendations are well-informed and lead to change where necessary. When recommending votes at companies with larger client holdings or which bear higher reputational risk, or if they expect to oppose a resolution or a material agenda item, such as opposing the election of a director, EOS will endeavour to write to the company in advance to explain their concerns. If the company is willing, they will discuss the matter further and explore potential for any changes that the company might make which would enable them to support the resolution.

Voting Statistics

Over the year to 31 December 2021	SCPF Equity holdings
Number of meetings eligible to vote during the period	5,993
Number of resolutions eligible to vote on over the year	63,657
% of resolutions voted on or abstained for which the fund was eligible	91% (57,923 proposals)
Of the resolutions on which the SCPF voted, % that voted with management	83% (48,231 proposals)
Of the resolutions on which the SCPF voted, % that were voted against management	17% (9,572 proposals)
Of the resolutions on which the SCPF voted, % that were abstained from	0% (120 proposals)
% of meetings with at least one vote against management	63% (3,785 meetings)

Reporting on Voting and Engagement

Each year, EOS produces a report to the SCPF setting out its activities including an overview of voting and examples of how it has engaged with companies on behalf of its clients, including the SCPF. The 2021 Annual Review for the SCPF is available to our members on our website² and provides rich and comprehensive material on voting and engagement. The EOS voting report should be read as a companion to this Statement.

Given the number of votes exercised by the Trustee during the year and the small individual size of the holdings, no individual vote by the SCPF can be characterised as particularly significant on its own. The impact comes from collective voting and pressure across entire sectors. The SCPF EOS 2021 Report also includes specific examples of voting. Three examples of noteworthy votes cast in the year by the SCPF are included in the Appendix to this Statement.

² [shell-contributory-pension-fund-annual-review-2021.pdf](#)

Engagement

Engagement Policy

Together with voting, EOS undertakes engagement on behalf of the Trustee with companies in which the SCPF invests. Through engagement, the Trustee aims to achieve both improved long-term financial returns on investment as well as fostering better, more sustainable outcomes. Engagement objectives are described in the EOS Engagement Plan. Progress is monitored by reference to a system of milestones to ensure that satisfactory progress is made over a reasonable period of time.

The Trustee believes that achieving sustainable wealth creation requires investors to be active owners and EOS has been appointed to support in fulfilling its stewardship responsibilities such as:

- Monitoring companies' performance and identifying the most material issues to be escalated for action;
- Engaging companies in pursuit of meaningful objectives, measuring and reporting on outcomes;
- Exercising shareholder rights including voting on all relevant shareholdings;
- Integrating stewardship into investment decisions; and
- Advocating for necessary changes in public policy and market best practice.

EOS has in place a four-step milestone system which allows the Trustee to track the progress of engagements relative to the objectives that have been set. These steps are:

1. Raising the concern with the company at an appropriate level.
2. Company acknowledging the issue as a serious investment concern worth exploring.
3. Company develops a strategy to achieve the objectives, or stretching targets are set to address the concerns.
4. The company implements the strategy or meets the concerns.

EOS engaged with 960 companies in 2021, covering 3,524 identified objectives or issues. At least one milestone was advanced for about 50% of objectives during the year.

5. Summary

Based on the activity over the year by EOS, the Trustee considers that the stewardship policy has been implemented effectively during the year.

The Trustee expects improvements in disclosures over time as stewardship reporting and, in particular, climate change reporting mature. The Trustee will also continue to refine its approach to stewardship - and responsible investment more broadly - in 2022.

Appendix: Voting Examples

The following examples show how the process with EOS works.

American Express Corp.

At its 2021 annual general meeting, EOS recommended to support a shareholder resolution asking the company to report on its diversity and inclusion program, in particular:

“The process that the Board follows for assessing the effectiveness of its diversity, equity and inclusion programs. The Board's assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment, and retention of protected classes of employees.” The Trustee followed EOS’ recommendation; the resolution passed (59.7%) despite management’s opposition. Since 2019, EOS has been engaging with AmEx on its clients’ behalf on diversity issues. In particular, the company has been lagging best practice on workforce diversity, as well as on disclosures related to D&I. This engagement is based on the increased importance of non-discrimination in the workplace (salary as well as pay gap) and on benefits of a diverse workforce, both reputational and operational.

Booking Holdings

In the company’s 2021 AGM, EOS recommended supporting a shareholder resolution requesting the Board to publish an annual climate change report, addressing: The company’s Scope 1-2 emissions; Plans (goals, ambitions and timeframes) to reduce the company’s emissions and benchmarking of the company against industry standards. The Trustee followed EOS’ recommendation and supported the resolution, which passed (56.1%) despite management’s opposition. This follows engagement with Booking by EOS on its clients’ behalf, focused on consolidating climate-related strategies across the various business units, which have been disparate as the company grew by acquisition. Another climate-related resolution in the 2021 AGM, an advisory vote on the company’s climate plans, which management opposed, failed despite support by the Trustee.

FedEx

In FedEx’s 2021 AGM, EOS recommended to vote in favour of a shareholder resolution requesting the Board to disclose annually information on the company’s lobbying practices, particularly focusing on: Company policy and procedures governing lobbying. Payments used for lobbying, direct or indirect, including the amount of the payment and the recipient. FedEx’s membership in and payments to any tax-exempt organization that writes and endorses model legislation. Description of the decision-making process and oversight for making lobbying-related payments. This advice is supported by the fact that current FedEx disclosures are subpar, in that the lobbying policy is high-level, and minimal disclosures cover only (US) federal lobbying and not state-level, where practices are disparate. EOS’s recommendation to support the resolution (against management), passed (62.2%).