

Implementation Statement for 2022

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

July 2023

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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”, “the Fund”), to implement its stewardship policy set out in the Statement of Investment Principles (“SIP”). The document includes information on voting and engagement undertaken 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 implementation statement covers the year ending 31 December 2022. In preparing it, the Trustee has had regard to the guidance on [Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement](#), issued by the Department for Work and Pensions (“DWP”) in June 2022. The Trustee is taking further steps to enhance its stewardship approach during 2023, including setting up an ESG Forum to support the Trustee’s stewardship monitoring, and will provide an update in its next implementation statement.

The SIP was last updated in March 2022, but no changes were made to the voting and engagement policies. The SIP is publicly available and can be found here: <http://pensions.shell.co.uk/scpf/resources/scpf-library>.

2. Summary of the Trustee's stewardship approach and policies

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 the 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”).
- 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.

To effect these objectives, the stewardship policies set out in the SIP require the SCPF’s Investment Manager to:

- Use its influence to engage with underlying managers to ensure the SCPF's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities, which supports the Trustee in determining the extent to which the SCPF's engagement policy has been followed throughout the year.

And either directly or through a third party Stewardship Services Provider 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.

Key parties in the Trustee's stewardship activity

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

As required by the occupational pension scheme regulations and consistent with the prudent management of the Fund, the SCPF has a highly diversified portfolio. For example, the listed equity part of the portfolio has holdings in over 1,000 different instruments. No single holding is material in relation to the total assets of the Fund and the Fund does not hold a significant proportion of the equity or debt of any listed enterprise. Although for private assets, the level of control in terms of ownership is usually larger, the level of actual influence is limited as well. This is due to the indirect nature of ownership through a lead investor, for which the influence of other investors is relevant as well, and the limited ability to alter exposure once capital has been committed. In consequence, the main 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 at Federated Hermes ("EOS"), a leading stewardship services provider, are used for the SCPF's listed equity and corporate bond holdings. 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 and other 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.

EOS has been appointed by the Trustee to support in fulfilling its stewardship responsibilities such as:

- Ensuring the companies in which the SCPF invests are taking appropriate steps to produce sustainable financial returns and identifying the most material issues to be escalated for action;

- 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 in pursuit of meaningful objectives, 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 on a management resolution;
- Preparing annual and detailed evaluations of its voting and engagement work on the Trustee's behalf
- Integrating stewardship into investment decisions; and
- Advocating for necessary changes in public policy and market best practice.

The Trustee and SAMCo monitor and review the stewardship activities of EOS through regular interaction and voting and engagement reports.

SAMCo is charged with monitoring and engaging with the external fund managers which have been appointed to run part of SCPF’s investments, such as private equity managers, with oversight by the Trustee.

Further information on the Trustee’s monitoring, engagement and voting policy is set out in the Trustee’s Responsible Ownership Policy. This is publicly available and can be found here: <http://pensions.shell.co.uk/scpf/resources/scpf-library> . The Statement of Investment Principles and Responsible Ownership Policy will both be updated later in 2023 to reflect the enhancements being made to the Trustee’s stewardship approach.

3. Trustee stewardship activity over the year

Stewardship priorities

Following the end of the year, the Trustee formalised its stewardship priorities to guide its oversight of the stewardship undertaken on its behalf. These will be areas on which SAMCo and the Trustee will more closely monitor the activities of its stewardship services provider and external, illiquid asset managers to ensure alignment with its stewardship expectations. The Trustee is establishing a new ESG Forum for this purpose.

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

The priorities chosen by the Trustee are:

- Climate change; and
- Governance (Board effectiveness and ethical culture).

Voting

The Trustee uses EOS as its proxy adviser. EOS makes recommendations on votes at company meetings and undertakes voting-related engagement with companies, in accordance with principles agreed with all of its clients, unless its contact with the company or its interpretation of the company's disclosures suggest that voting differently would better support the achievement of stewardship objectives and the sustainability of the company. EOS's recommendations are based on the unique circumstances of each company, taking local best practice and regulation into account, and are made in accordance with the Trustee's interests as a long-term owner.

EOS makes voting recommendations that are, where practicable, engagement-led and involve communicating with company management and boards around the vote. This ensures that its rationale is understood by the company and that the recommendations are well-informed and encourage change where necessary. When recommending votes at companies with larger client holdings or which bear higher reputational risk, or if it expects 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 its concerns. If the company is willing, EOS will discuss the matter further and explore potential for any changes that the company might make which would enable them to support the resolution.

The Trustee has adopted EOS's voting policy in respect of public equity investments. Implementation of this voting policy was monitored throughout the year, for example through review of EOS's quarterly reports. Over the year, it followed EOS's voting recommendations and did not engage with EOS on any votes ahead of them being cast. It relied on EOS to notify companies ahead of votes in the circumstances outlined above. In future years the Trustee's ESG Forum will consider alignment of EOS's voting recommendations with the Trustee's stewardship priorities.

Voting Statistics

Over the year to 31 December 2022	SCPF Equity holdings
Number of meetings eligible to vote during the period	5,907
Number of resolutions eligible to vote on over the year	74,254
% of resolutions voted on or abstained for which the fund was eligible	67,747 (91.24%)
Of the resolutions on which the SCPF was eligible to vote, % that voted with management	55,835 (75.19%)
Of the resolutions on which the SCPF was eligible to vote, % that were voted against management	11,912 (16.04%)
Of the resolutions on which the SCPF was eligible to vote, % that were abstained from	183 (0.25%)
% of meetings with at least one vote against management	3,972 (67.24%)

The Trustee notes that the percentage of eligible resolutions on which the SCPF votes or abstains is expected to be below 100%, as some slippage occurs, for example due to administrative hurdles and (last-minute) additional voting requirements.

Examples of the voting activity carried out by EOS over the year on behalf of the Fund are provided in the Appendix.

Engagement Policy

Together with voting, EOS undertakes engagement on behalf of the Trustee with companies in whose publicly traded equity and debt securities the SCPF invests. In illiquid asset classes, stewardship activities are undertaken by external asset managers, with oversight from SAMCo. Through engagement, the Trustee aims to achieve both improved long-term financial returns on investment as well as fostering better, more sustainable outcomes.

Engagement by EOS on public market assets

EOS's engagement objectives are described in the EOS Engagement Plan which is refreshed each year². Progress is monitored by reference to a system of milestones to ensure that satisfactory progress is made over a reasonable period of time.

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.

² The Plan for 2022-2024 can be accessed [here](#).

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 884 companies in 2022, covering 3,547 identified objectives or issues. At least one milestone was advanced for about 55% of objectives during the year.

The Trustee and SAMCo review quarterly reports on EOS's engagement activities on behalf of the SCPF. Examples of EOS's engagement the Trustee's priorities are included in the Appendix.

Report on EOS's activity on behalf of the SCPF

Each year, EOS produces a report for 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 [2022 Annual Review](#) for the SCPF is available to our members on our website and provides rich and comprehensive material on voting and engagement. The EOS report should be read as a companion to this Statement.

Engagement with external managers

SAMCo engages with prospective and existing external managers on the expectations set out in a SAMCo-administered framework on sufficient level of ESG incorporation. This framework was formalised in 2022. Engagement meetings with external managers served to ascertain their performance in relation to the four elements of the framework: 1) ESG policy, 2) governance, 3) investment and risk management processes and 4) reporting. A score of at least 3 out of 5 denotes 'sufficient level of ESG incorporation'. Relevant funds scoring 'insufficient' would trigger further review and/or engagement by the investment teams.

In 2022, 59% of SCPF's externally managed funds (measured by Net Asset Value) were engaged. For the avoidance of doubt, this includes both funds scoring below as well as funds scoring at or above expectations.

SAMCo reports to the Trustee on the engagement activity it undertakes with external managers of illiquid assets on an annual basis.

Policy advocacy

The ESG issues that are most likely to represent material financial factors for the SCPF tend to be systemic or market-wide in nature and require action by governments or regulators as well as companies and investors. Therefore, to protect and enhance the value of the SCPF's assets over the long term, EOS also undertakes engagements with legislators, regulators, industry bodies and other standard-setters on behalf of the Trustee. These engagements are targeted at helping to shape capital markets and the environment in which companies and investors operate to be more sustainable.

4. Summary

Based on the activity over the year by EOS and SAMCo, 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 matures. The Trustee will also continue to refine its approach to stewardship – and responsible investment more broadly – in 2023. Among the first steps will be to establish an ESG Forum, to further enhance the Trustee’s oversight of stewardship activity carried out on its behalf.

Appendix: Voting and Engagement Examples

Given the number of votes exercised by the Trustee during the year and the small individual size of the holdings, it is difficult to classify individual votes by the SCPF as particularly or 'most significant' on their own. The impact comes from collective voting and pressure across entire sectors. The SCPF EOS [2022 Annual Review](#) includes further specific examples of voting.

The following votes have been chosen as the 'most significant' votes because they demonstrate EOS's integrated approach to voting and engagement, on the SCPF's behalf, and because they were viewed to be the 'most significant' in relation to the Trustee's stewardship priorities, or in relation to the vote's importance for the direction of the relevant company. There is a description of the engagement activity carried out and the votes related to that engagement.

Renault SA

Trustee priorities: Governance and Climate change

EOS was pleased with the company's progress on increasing gender diversity on the board; despite the small drop since last year, it was a priority for the chair and lead independent director. EOS was also pleased that the chair had recently had discussions with employees and with the French state to encourage them to increase the gender diversity of the nominations for the government representative and employee representatives.

However, EOS was concerned at the apparent failure to sufficiently consider climate-related risk in the financial accounts and audit. It indicated it to the company this would likely cause EOS to recommend voting against the audit committee members and the financial statements at the AGM on May 25, 2022. It did subsequently recommend voting against and SCPF followed the recommendation. The statement and the appointment of the committee members still passed, however.

Volkswagen AG

Trustee priority: Climate change and Governance

EOS wrote to the company to urge it to undertake and publish a lobbying report, focused on climate-related lobbying. EOS has been disappointed with the lack of progress at the company, which shared no plan to make a public commitment to undertake a review of direct and indirect lobbying activities as has already been undertaken by peers in the automotive sector.

Following such engagement on climate-related lobbying, ahead of its AGM on May 12, 2022, EOS informed the company it would be recommending a vote against the discharge of the management and supervisory boards due to the lack of progress on climate lobbying transparency that had been extensively discussed with the company as well as historic issues. This recommendation was followed by SCPF. The proposals to discharge management and supervisory board members passed.

Next steps following the vote:

The company informed EOS that it had finally published its Association Climate Review 2023, just in time before the annual meeting (but after the deadline for vote recommendations). EOS

welcomed that the company has finally taken this step and will review the quality of this report in detail and provide feedback for improvements at the company.

Danone SA

Trustee priority: Governance

EOS met the new lead independent director (LID) to discuss governance and the strategic direction of the company following a management crisis and board refreshment. EOS asked about her priorities for the board and how she was going to assess board performance. EOS was pleased to hear that she found the new board members to be professional and independent and wished to develop a culture of trust on the board.

A board assessment will be carried out internally this year and externally next year, which EOS welcomed. EOS suggested bringing facilitators to board meetings while the members were getting started in their roles and the LID took note of this. EOS was pleased to hear that she intended to engage more with stakeholders.

Hence EOS recommended to vote in favour of the proposed ratification of the co-opting of the relevant Lead Independent Director, as well as other proposed Director appointments. SCPF followed this recommendation. All resolutions presented by the company management were approved by the voting shareholders. In addition, EOS recommended to vote in favour of a shareholder proposal that was without management support which specifies the role and powers of the honorary chair, which EOS believes would promote transparency to shareholders. SCPF followed this recommendation, but this proposal did not gain sufficient support from other shareholders.

Meta Platforms, Inc.

Trustee priority: Governance

At Meta's AGM on May 25, 2022, EOS used its recently published Digital Rights Principles to inform decisions and justify its advice to support for several shareholder resolutions around the design and implementation of the company's policies. These included requests for a report on the enforcement of policies to moderate problematic content; a human rights impact assessment of targeted advertising; and a report on the trade-offs between privacy rights and child protection. EOS noted the company's willingness to engage on these issues ahead of the annual meeting, but recommended opposing the CEO and the entire governance committee due to the dual class share structure, lack of compensation transparency, board chair independence and other issues. SCPF followed these recommendations, though these did not gather sufficient support to pass.

Glencore

Trustee priority: Governance

EOS have engaged with commodity trading house and mining company Glencore, which pleaded guilty to charges of bribery and corruption with criminal and civil authorities in the US, UK and Brazil. The company admitted to providing payments and bribes via third parties acting on its behalf to foreign officials in Nigeria, Cameroon, Ivory Coast, Equatorial Guinea, Brazil, Venezuela, and the Democratic Republic of the Congo (DRC).

EOS engaged with the chair of Glencore on behalf of SCPF to identify key learnings for the company on ethical culture and behaviours, and to develop a plan to address them. EOS has been assured that it has taken remediation action, including appointing a new chief compliance officer, refreshing the management team and CEO, and reporting to the board on compliance on a quarterly basis. A court-appointed monitor of its compliance programme is in place for the next three years.

Next to that, EOS recommended voting against the company's climate change progress report due to concerns around the ambition of the company's targets, and lack of detail in its plans to reduce emissions. SCPF followed EOS' recommendations. The climate change progress report was adopted, albeit with 23.7% dissent.

Netflix Inc.

Trustee priority: Governance

EOS welcomed the company's recent governance changes, which were voted on at the annual meeting, and reiterated their request for the company to publish corporate governance principles. The company will focus on finalising its current changes before considering additional improvements to codify its governance in principles. It was resistant to EOS' request for an independent board evaluation but agreed to consider it.

EOS advised to support the changes proposed by the board (declassifying the Board, eliminating supermajority, and the right to call a special meeting) at the AGM on June 2, 2022. SCPF followed this recommendation. It also supported a shareholder proposal for a report on lobbying payments, which was adopted, and voted against the board's proposal for remuneration, due to concerns about incentives, which failed.

Aena SME

Trustee priority: Climate change, Governance

Following engagement with Aena on their emissions disclosures and board independence, EOS recommended opposing the remuneration and management's climate action plan at the company's AGM on March 25, 2022. The decision on remuneration was due to the lack of a shareholding requirement, and no malus and clawback policy. EOS recommended opposing the climate action plan due to the lack of detailed disclosure on Scope 3 emissions given the company's sizable impact. In particular, EOS did not find the company's current target around sustainable aviation fuels to be in line with the Paris Agreement goal of limiting global heating to below 1.5 degrees Celsius. SCPF followed these recommendations, though both passed.

Starbucks Corporation

Trustee priority: Governance

In 2020, EOS raised human rights-related concerns with Starbucks' director of global compliance and international markets. EOS said that there had been no attempt to measure the impact of its anti-bias training in terms of whether African-American and other ethnic minority customers now felt safer in its stores. Also, it did not seem as if there had been attempts to build on and repeat the training, except for new starters. The company had realised that the US-focused training had

not worked in Canada, and it had postponed the roll out of the training internationally, while acknowledging that racism was an issue.

Since then, through continued engagement, the company has appointed a chief inclusion and diversity officer expanded its inclusion and diversity strategy. While this represents welcome progress, EOS recommended supporting a shareholder resolution at the company's AGM on March 16, 2022, calling for a report on harassment and discrimination in the workplace, which would have increased transparency on the issue. SCPF followed this recommendation; the shareholder resolution fetched 32% of the votes.

Harmony Gold Mining Co.

Trustee priority: Governance

EOS recommended a vote against the re-election of the chair of the board social and ethics committee, who is responsible for overseeing labour safety, because of the high number of fatalities. SCPF followed EOS's recommendation.

Sumitomo Corp.

Trustee priority: Climate change

EOS recommended to vote against the chair due to its concern about its climate change strategy. It welcomed the commitment made by the company to withdraw from one of its coal projects at the Matarbari 2 Coal Plant. However, EOS reiterated its expectation that the company should (i) commit to ceasing coal power generation by 2035 in OECD countries and by 2040 for the rest of the world or (ii) adopt a decarbonisation strategy that is in line with the goals of Paris Agreement. SCPF followed EOS's recommendation. The chair was re-elected nonetheless.