

Finning Pension Scheme - Implementation Statement

Welcome to the Trustee's Statement of how they implemented the policies and practices in the Scheme's Statement of Investment Principles (SIP) during the year ending 31 December 2022.

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme's Stewardship Policy during the period from 1 January 2022 to 31 December 2022 and other policies and practices within the Statement of Investment Principles.

Stewardship and Engagement policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee's approach to:

- the exercise of voting rights attached to assets;
- undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other relevant stakeholders;
- monitoring of the managers' evolving approach to ESG issues, including manager voting and engagement activity undertaken on behalf of the Scheme; and
- consideration of conflicts of interest arising in the management of the Scheme and its investments.

The Scheme's Stewardship Policy is reviewed on a periodic basis. The Trustee are in the process of updating their approach to RI including refreshing the Scheme's RI beliefs and Stewardship priorities. These are in the process of being developed and will be referenced in following years.

The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with management on issues which affect a company's financial performance. It is noted that the Trustee considers these policies when selecting managers and also when monitoring them over time.

How the Scheme's investments are governed

The Trustee has overall responsibility for how the Scheme's investments are governed and managed in accordance with the Scheme's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations.

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the investment managers. As stated above, this also includes delegation of engagement activity in respect of the underlying assets.

The Trustee expects its managers to use their influence proactively in managing ESG risks in underlying portfolios over time.

The Trustee's engagement activity is focused on their dialogue with their investment managers which is undertaken in conjunction with their investment advisers. The advisers monitor the development of engagement policies at the investment managers and report on this to the Trustee. When the Trustee meets with investment managers, they are asked to report on engagement activity that is relevant to the portfolios held.

The Trustee also monitors its own compliance with the Stewardship Policy on a regular basis and is satisfied that the Scheme's Policy over the last year has been complied with.

Policy implementation

The Trustee's own engagement activity is focused on its dialogue with its investment managers which is undertaken in conjunction with its investment advisers. The Trustee meets with its investment managers on a regular basis, or more frequently if any matter requires more urgent discussion, and the Trustee considers investment managers' exercise of their stewardship responsibilities during these meetings.

Through the periodic review of its investment managers' responsible investment practices, the Trustee monitors the extent to which its Stewardship Policy is being implemented as intended. **The Trustee is satisfied that it has complied with the Scheme's Stewardship Policy over the Scheme year ending 31 December 2022.**

Voting activity

The Trustee seeks to ensure that its investment managers are exercising voting rights and where appropriate, to monitor managers' voting patterns. The Trustee invested in publicly quoted equity assets through BlackRock Aquila Life MSCI World Fund(s), BlackRock Aquila Life Global 3000 Fundamental Weighted Index Fund and BlackRock iShares Emerging Markets Index Fund Aggregate. Over the course of the Scheme year the Trustee removed its exposure to assets with voting rights. The information below therefore pertains to the period 1 January 2022 to 30 June 2022.

As outlined within Tables 1, 2 and 3, BlackRock performs independent research and analysis coming to conclusions that are consistent with their own voting guidelines. BlackRock do make limited use of proxy advisory firms for research purposes (Institutional Shareholder Services and Glass Lewis).

Table 1: BlackRock Aquila Life MSCI World Fund (Currency hedged and unhedged funds)*

Proportion of Scheme assets as at 31 December 2022	0.0%
Did the manager employ the house voting policy in managing the fund?	Yes
No. of meetings eligible to vote at during the period	759
No. of resolutions eligible to vote on during the period	12,454
% of resolutions voted	86.3%
% of resolutions voted with management	80.8%
% of resolutions voted against management	5.5%
% of resolutions abstained	0.8%

Table 2: BlackRock Aquila Life Global 3000 Fundamental Weighted Index Fund*

Proportion of Scheme assets as at 31 December 2022	0.0%
Did the manager employ the house voting policy in managing the fund?	Yes
No. of meetings eligible to vote at during the year	2,774
No. of resolutions eligible to vote on during the year	36,583
% of resolutions voted	91.9%
% of resolutions voted with management	86.3%

% of resolutions voted against management	5.5%
% of resolutions abstained	1.3%

Table 3: BlackRock iShares Emerging Markets Index Fund Aggregate*

Proportion of Scheme assets as at 31 December 2022	0.0%
Did the manager employ the house voting policy in managing the fund?	Yes
No. of meetings eligible to vote at during the year	1,757
No. of resolutions eligible to vote on during the year	18,404
% of resolutions voted	98.0%
% of resolutions voted with management	86.7%
% of resolutions voted against management	11.3%
% of resolutions abstained	3.8%

* For the information provided, BlackRock indicated the following: Instructions of Do Not Vote are not considered voted; Frequency on Pay votes of 1, 2 or 3 Years are only reflected statistically, where applicable, but present in the underlying detail; and in cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted may be higher than unique proposals voted.

The Trustee is satisfied with the approach taken by BlackRock to ensure that voting rights are exercised where they exist.

For the remainder of the Scheme's assets, voting rights are limited/do not exist. Nonetheless, the Trustee expects managers to use their influence proactively, through positive engagement for example, when managing all risks within their portfolios.

Significant votes

The RI Sub-Committee of the Scheme are in the process of selecting appropriate stewardship priorities for the Scheme. These stewardship priorities will be used to inform the selection of 'significant votes' as reported on in subsequent Implementation Statements.

In the absence of formalised stewardship priorities, the 'significant votes' reported here reflect votes on Climate Risk within the Scheme's equity assets. This has been deemed significant for the Scheme both given its explicit inclusion in the Scheme's SIP, and as it was one of the three areas used to assess manager's RI policies as part of the Scheme's annual manager RI Policy review.

When asked to provide information, BlackRock identified 37 meetings at which they deemed significant votes took place in 2022.

Details of 5 meetings at which BlackRock voted on 'significant' votes on Climate Risk are outlined in Table 4 below.

Table 4: BlackRock Investment Services (BIS) significant votes

Date	Company	Subject (theme and summary)	Manager's vote and rationale
8 April 2022, 5 May 2022	Rio Tinto Plc	Item 17: Approve Climate Action Plan	<p>BlackRock voted for the proposal, aligning with the Board recommendation.</p> <p>BlackRock determined that it was in the best interests of their clients as long-term shareholders to support the proposal to approve the Climate Action Plan.</p>
20 Jan 2022	Costco Wholesale Corporation	Item 5: Report on GHG Emissions Reduction Targets	<p>BlackRock voted against the proposal, aligning with the Board recommendation.</p> <p>BlackRock voted against the proposal as they do not believe it would have been possible for Costco to disclose emissions across the 'full value chain' in line with what was expected from the proposal.</p>
13 April 2022	Bank of Montreal	Item 7: Proposal No. 4: Adopt a Policy to Ensure the Bank's Financing is Consistent with the International Energy Agency's Net Zero Emissions by 2050 Scenario	<p>BlackRock voted against this shareholder proposal, aligning with the Board recommendation.</p> <p>BlackRock voted against this proposal as they believed the proposal was overly prescriptive, unduly constraining on management and Board decision-making, and would limit the company's ability to support an orderly energy transition.</p>
27 April 2022	Marathon Petroleum Corporation	Item 9: Report on Climate Strategy Consistent with ILO's "Just Transition Guidelines"	<p>BlackRock voted against this shareholder proposal, aligning with the Board recommendation.</p> <p>BlackRock voted against the proposal as they believe the company's current disclosures are sufficient and address the topic of a 'just transition' as sought by the the proposal.</p>

28 April 2022	Glencore PLC	Item 13: Approve Climate Progress Report	<p>BlackRock voted for the proposal, aligning with the Board recommendation.</p> <p>BlackRock voted for the proposal although believe Glencore could enhance disclosures further including independent assurance of Glencore's claims. BlackRock will continue to engage with Glencore to monitor progress against their Climate Action Transition Plan.</p>
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Engagement activity

The Trustee holds meetings with their investment managers where stewardship issues are discussed in further detail.

Table 5: The Trustee's engagement activity with its investment managers over the year to 31 December 2022

Date	Fund manager	Subject discussed	Outcome
March and November 2022	BlackRock	<ul style="list-style-type: none"> Blackrock team and business update Portfolio performance update Update on LDI portfolio and hedging programme with specific focus on gilt market volatility of September/October 2022 Approach to ESG, means of ESG integration and monitoring and detail on stewardship activity undertaken on behalf of the Scheme 	The Trustee are satisfied with the comprehensive responses shared by the manager.

August 2022	M&G	<p>Update on both M&G's REDF VI and Alpha Opportunities funds including:</p> <ul style="list-style-type: none"> • Team and business update • Portfolio performance update and fund breakdown • Approach to integrating ESG in the investment process 	The Trustee are satisfied with the comprehensive responses shared by the manager.
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Summary of manager engagement activity

The following table summarises the key engagement activity for the 12-month period ending 31 December 2022.

Table 6: Summary of management activity

Manager: Fund	Number of engagements	Topic engaged on
BlackRock: Aquila Life MSCI World Fund	1,540 engagements across 895 companies	Most frequent topics engaged on were remuneration, board composition and corporate strategy.
BlackRock: Aquila Life Global 3000 Fundamental Weighted Index Fund	2,337 engagements across 1,442 companies	Most frequent topics engaged on were climate risk management, corporate strategy and board composition and effectiveness.
BlackRock: iShares Emerging Markets Index Fund Aggregate	436 engagements across 295 companies	Most frequent topics engaged on were climate risk management, corporate strategy and board composition.
M&G: Alpha Opportunities Fund	No voting rights for this fund. M&G engaged on 10 instances on behalf of the Alpha Opportunities Fund.	Key topics engaged upon were Environment & Climate change, Environment & Net Zero, and Human & Labour rights.
M&G: Real Estate Debt Finance VI ("REDF VI")	No voting rights for this fund. M&G engaged on 9 instances on behalf of the REDF VI fund.	Key topics engaged upon were Environment, and Environment, Social and Governance issues.

Partners Group: Multi Asset Credit 2015 (II)	No voting rights for this fund. Partners Group engaged with 3 underlying holdings within the MAC 2015 (II) fund.	Corporate issues including performance of business and restructurings.
Partners Group: Multi-Asset Credit V	No voting rights for this fund. Partners Group engaged with 4 companies within the MAC V fund.	Corporate issues including refinancing and performance of business.

Review of policies

The Trustee has committed to reviewing the managers' ESG policies. The latest review was undertaken by the Trustee in August 2022. The review considered managers' broader approach to responsible investment issues in addition to focusing on three key areas:

- Restrictions lists
- Cybersecurity
- Climate Transition

The Trustee and its advisors remain satisfied that the responsible investment policies of the managers remain appropriate. Given that at the time of the review the Scheme no longer held equity assets, BlackRock's voting policy was not reviewed.