



# Merchant Navy Ratings Pension Fund (MNRPF)

## Implementation Statement – Year ended 31 March 2024

### Why have we produced this Statement?

The Trustee of the Merchant Navy Ratings Pension Fund (MNRPF) has prepared this statement to comply 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 voting and engagement policies detailed in the Fund's Statement of Investment Principles (SIP).

A copy of this implementation statement has been made available on the following website:

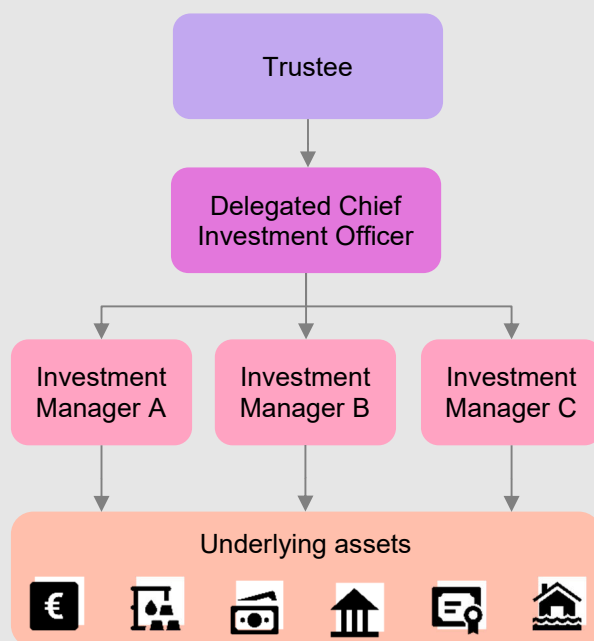
<https://www.mnrpf.co.uk/library.php>

### What is the Statement of Investment Principles (SIP)?

The SIP sets out key investment policies including the Trustee's investment objectives, investment strategy, and the voting and engagement policy.

It also explains how and why the Trustee delegates certain responsibilities to third parties

### How are the Fund's investments managed?



as well as the risks the Fund faces and the corresponding mitigations. The Trustee last reviewed the SIP in September 2023.

### What is the purpose of this Statement?

1. To explain how the Trustee's engagement policy has been applied over the year.
2. To describe how the voting rights attached the Fund's assets have been exercised over the year.

### What changes have we made to the SIP?

The Trustee changed the SIP over the year to reflect the following:

- Investment beliefs agreed by the Trustee,
- Stewardship priorities agreed by the Trustee,
- Climate risk and its management, and
- Governance changes related to the Financial Risk Management pillar

**Trustee** - The Trustee's key objective is to ensure sufficient assets to pay members' benefits as they fall due. The Trustee retains overall responsibility for the Fund's investment strategy, but delegates some responsibilities to ensure they are undertaken by somebody with the appropriate skills, knowledge and resources.

**Delegated Chief Investment Officer (CIO) (WTW)** – The Trustee employs a Delegated CIO to implement the Trustee's investment strategy. The Delegated CIO allocates the Fund's assets between asset class and investment managers.

**Investment managers** – The Delegated CIO appoints investment managers either using a pooled vehicle or via a segregated mandate where the assets are held directly in the Fund's name. The Delegated CIO will look for best-in-class specialist managers for each asset class.

**Underlying assets** – The investment managers pick the underlying investments for their specialist mandate e.g. shares in a company or government bonds.



### Why does the Trustee believe voting and engagement is important?

The Trustee's view is that Environmental, Social and Governance (ESG) factors can have a significant impact on investment returns, particularly over the long-term and therefore contribute to the security of members' benefits. The Trustee further believes that voting and engagement are important tools to influence these issues.

The Trustee has appointed a Delegated CIO who shares this view and has embedded the consideration of ESG factors, voting and engagement in its processes. The Trustee incorporates an assessment of the Delegated CIO's performance in this area as part of its overall assessment of the Delegated CIO's performance.

### What is the Trustee's voting and engagement policy?

When considering its policy in relation to stewardship, including engagement and voting, the Trustee expects investment managers to address broad ESG considerations, but has identified climate change, biodiversity, and diversity, equity and inclusion ("DEI") as key areas of focus for the Trustee.

The day-to-day integration of ESG considerations, voting and engagement are delegated to the Fund's investment managers. The Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital. Where ESG factors are considered to be particularly influential to outcomes, the Trustee expects the Delegated CIO to engage with investment managers to improve their processes.

### What training has the Trustee received over the year?

To ensure the Trustee is kept up to date with best practice in ESG considerations, voting and engagement the Trustee received the following training over the year:

- Annual Sustainable Investing (SI) manager review covered in Q2 2023.
- Climate reporting for Task Force on Climate-related Financial Disclosures (TCFD) covered H2 2023.
- Sustainability also covered as part of the recent retender process for the role of Delegated CIO.

### What are the Delegated CIO's policies?

#### Climate change and net zero pledge

The Trustee believes Climate Change is a current priority when engaging with public policy, investment managers and corporates.

The Delegated CIO has committed to targeting net zero greenhouse gas emissions by 2050 at the latest, with a 50% reduction by 2030, in the portfolios that it manages including the Fund's.

#### Public policy and corporate engagement

The Delegated CIO partners with EOS at Federated Hermes, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustee).

Some highlights from 2023 include:

- Engagements with 1,041 companies on a total of 4,272 issues and objectives.
- 31 responses to consultations (or proactive equivalents) and 90 discussions with relevant regulators and stakeholders.
- Voting recommendations on 128,101 resolutions, with 22,716 being votes against management.
- Active participation in a range of global stewardship initiatives.

#### Industry collaboration initiatives

The Delegated CIO engages in several industry initiatives including:

- Signatory of the UK Stewardship Code
- Co-founder of the Net Zero Investment Consultants Initiative
- Member of Net Zero Asset Managers Initiative
- Signatory of the Principles for Responsible Investment (PRI)
- Member of the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founder of the Investment Consultants Sustainability Working Group
- Founding member of The Diversity Project
- Supporter of the Transition Pathway Initiative



## How does the Delegated CIO assess the investment managers?

**Investment manager appointment** - The Delegated CIO considers the investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) at the appointment of a new manager. In 2023 the Delegated CIO conducted engagements with over 150 managers on sustainability and stewardship. In 2022 it also introduced engagement priorities on climate, modern slavery and engagement reporting for all asset managers.

**Investment manager monitoring** - The Delegated CIO produces detailed reports on the investment

managers' ESG integration and stewardship capabilities on an annual basis. The Delegated CIO's ratings of the equity managers' ESG integration and stewardship capabilities are presented in the later pages.

**Investment manager termination** - The Delegated CIO engages with investment managers to improve their practices and increases the bar by which they are assessed as best practice evolves. The Delegated CIO may terminate an investment manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the year.

## Example of engagement carried out over the year<sup>1</sup>

### Infrastructure manager Environment - Climate issue

Issue: Awareness of emissions as a result of this Energy from Waste business with the ambition of reducing and abating this where possible in the coming years

Outcome: Ongoing questioning of management's plans in this area, plus vocal support at the annual investor meetings of the manager's management team efforts to introduce a carbon capture and storage (CCS) operation into the manager's facility.

The manager has since partnered with industrial entities to develop a CCS solution, and is bidding for government funding support.

### High yield manager Environment - Climate issue

Issue: This manager provides an underlying exposure that sits within the Delegated CIO's broader high yield credit portfolio. As the Delegated CIO increased its minimum standards and expectations over time in relation to SI, this manager became a clear laggard relative to other exposures in the portfolio, lacking a framework for both ESG integration and engagement. The Delegated CIO communicated its concerns with the manager who committed to a plan to significantly improve their capabilities and resources spent here. During this process, the Delegated CIO stopped allocating new capital to this manager.

Outcome: The manager has now made significant process on their SI capabilities, as well as the commitments made as part of the engagement process. They have developed a new ESG integration framework, and a checklist for both new and existing investments to ensure all holdings are analysed using correct ESG data sources, with any concerns documented. They have also started producing ESG reporting, such as emissions at a portfolio level.

The manager has now also shown a number of positive ESG engagement examples with underlying holdings. Whilst this remains a work in progress, this has become a much great focus for analysts at the firm, which is viewed positively.

### Equities General ESG issue

Issue: Concerns over the Manager's engagement reporting and ESG integration.

Outcome: Reporting transparency on ESG front was lagging in the past year. Following engagement, the Manager developed an engagement tracker which will assist client reporting and the Manager indicated their willingness to provide more transparency. The manager also re-assessed their ESG integration and stewardship practices, and the Delegated CIO considers these to be acceptable.

<sup>1</sup> As we note overleaf, the Trustee has decided not to publicly disclose active investment manager names



### What are the voting statistics we provide?

The Fund is invested across a diverse range of asset classes which carry different ownership rights, for example bonds do not have voting rights attached. Therefore, voting information was only requested from the Fund's equity investment managers. For both Funds overleaf, managers were eligible to vote on c.99% of the votes: we show voting data on these votes.

Responses received are provided in the following pages. The Trustee used the following criteria to determine the most significant votes where the data has allowed:

- Trustee stewardship priorities - climate change, biodiversity, and diversity, equity and inclusion ("DEI")
- Financial outcome for members, including size of holding
- High profile votes

The Fund is invested in active equity funds (trying to outperform the market). The Trustee has decided not to publicly disclose active investment manager names as the Trustee believes this could impact the investment manager's ability to generate the best investment outcome.

The Delegated CIO views the two funds overleaf - TWIM GEFF and TWIM HAF (in relation to their equity holdings) - as strong stewards of capital through engagements made by underlying managers. Underlying managers are continuously monitored and evaluated on their engagement activities, which are rated either as a 'High' or 'Medium' by the Delegated CIO. TWIM GEFF also employs EOS at Federated Hermes, who have been specifically appointed to conduct engagement on behalf of the capital in the fund.

### In conclusion

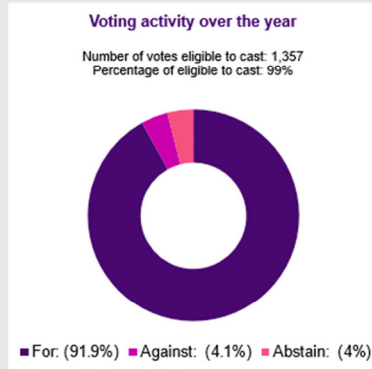
The Trustee is satisfied that over the year, all SIP policies and principles were adhered and in particular, those relating to voting and engagement.

Signed:

Date:  
**Doug Ross**  
**Chair of Trustees**

## Towers Watson Investment Management – Hedge Advantage Fund

### Voting activity over the year



#### Significant vote

**Company:** Emerson

**% Fund:** 0.57%

**Vote topic:** Adopt Simple Majority Vote

**Issue:** Shareholder proposal to adopt simple majority voting to improve governance

**Voting instruction:** Against management resolution

**Outcome:** Passed the resolution

**Why a significant vote?** Clean Energy Transition voted with Institutional Shareholder Services (ISS) on all items, including the shareholder proposal to adopt simple majority voting which was against management

**Next steps:** None to report

#### Significant vote

**Company:** Siemens Energy AG

**% Fund:** 0.46%

**Vote topic:** Approve Remuneration Report

**Issue:** While pay is lower than peer group, the manager would expect a bigger cut in short term bonuses given disaster at Siemens Gamesa Renewable Energy

**Voting instruction:** Against management resolution

**Outcome:** Passed the resolution

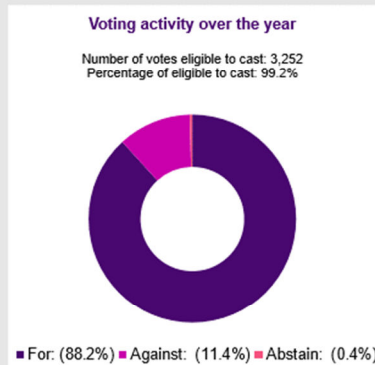
**Why a significant vote?** Vote against management and ISS

**Next steps:** None to report

**Voting policy:** As Towers Watson Investment Management (TWIM) manages Fund of Funds, the voting rights for the holdings are delegated to the underlying managers and their ability to vote will depend on the underlying manager's strategy. Therefore, the voting data provided is on the long-short equity managers where equity holdings are a key part of their strategy. The manager expect all of their underlying managers who hold equities over a reasonable timeframe to vote all shares they hold.

## Towers Watson Investment Management – Global Equity Focus Fund

### Voting activity over the year



#### Significant vote

**Company:** Alphabet

**% Fund:** 5.7%

**Vote topic:** Human rights

**Issue:** The proposal was regarding greater transparency related to business conducted in places with significant human rights concerns

**Voting instruction:** For management resolution

**Outcome:** Failed the resolution

**Why a significant vote?** The manager believes transparency on country risk is a non-controversial proposal and serves both social and governance interests

**Next steps:** The manager will vote for similar measures in the future

#### Significant vote

**Company:** Microsoft Corp

**% Fund:** 4.9%

**Vote topic:** Report on climate risk in retirement plan options

**Issue:** Manager voted for this shareholder proposal as they believe that it promotes transparency and addresses a potential ESG risk

**Voting instruction:** For management resolution

**Outcome:** Failed the resolution

**Why a significant vote?** Greater transparency allows shareholders to better assess the underlying risks and opportunities

**Next steps:** Manager to continue to promote greater transparency across all holdings if it does not put the company in a competitive disadvantage

**Voting policy:** As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. The manager expects all of their underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. The manager has appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all of their clients. In addition, EOS is expanding the remit of engagement activity they perform on the manager's behalf beyond public equity markets, which will enhance stewardship practices over time.