

The Merchant Navy Ratings Pension Fund (the “Fund”)

**Annual Implementation
Statement – Year ended 31
March 2023**

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Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Merchant Navy Ratings Pension Fund (“the Fund”) covering the Fund year (“the year”) to 31 March 2023.

The purpose of this statement is to:

- Set out how, and the extent to which, in the opinion of the Trustee, the Fund’s engagement policy (required under regulation 2(3)(c) of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and state any use of services of a proxy voter during that year.

The Fund makes use of a wide range of investments; therefore, the principles and policies in the Fund’s Statement of Investment Principles (SIP) are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Delegated Chief Investment Officer (“Delegated CIO”), Towers Watson Limited (trading as WTW), to advise and manage the Fund’s defined benefit assets on a discretionary basis. So far as is practicable, the Delegated CIO considers the policies and principles set out in the Trustee’s SIP.

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

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

Section 2: Voting and engagement

As set out above, the Trustee has delegated responsibility to the Delegated CIO to implement the Trustee's agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Delegated CIO is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance ("ESG") factors are allowed for in the portfolio.

The Trustee's view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee believes that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Delegated CIO who shares this view and has fully embedded the consideration of ESG factors 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.

The Delegated CIO's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to Sustainable Investing (SI) (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Delegated CIO engages with investment managers to improve their processes.

The Delegated CIO produces detailed reports on the SI characteristics of the highest-rated managers (such as those included in the Fund's portfolio) on an annual basis. These reports form part of the Trustee's ongoing portfolio monitoring. The Trustee last reviewed these reports at its meeting in Q2 2023 and undertook specific scorecard analysis on SI metrics in Q1 2023. The policies and processes described above have impacted the Fund's investments in numerous ways. The latest Sustainable Investment review and scorecard found that:

- The vast majority of the Fund's asset managers are operating to a good standard. The Delegated CIO will continue to engage with those that scored poorly to encourage improvements where possible as part of ongoing research processes. Should insufficient progress be made on making improvements, the manager's place in the portfolio will come under review.
- The Fund's sustainability quantitative assessment was found to be good, with the portfolio largely ahead or in line with its comparators and no immediate concerns raised.

In addition, the Trustee conducted a climate change scenario analysis in December 2022 whereby the resilience of the Fund's funding strategy was reviewed under a range of plausible climate scenarios.

The Fund has dedicated allocations to funds with positive ESG credentials. For example, through its investment in the Global Equity Focus Fund (GEFF), the Fund's portfolio has exposure to Article 8 Sustainable Finance Disclosure Regulation designation. This covers a fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, amongst other requirements. The Investment Manager intends for the sub-funds to achieve at least a 50% reduction in greenhouse gases by 2030 in its portfolio, where progress is measured using multiple climate metrics.

Company level engagement and rights attached to investments (including voting):

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Delegated CIO, and in turn to the Fund's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including consideration of all relevant matters, voting and engagement) are delegated to the Fund's investment managers.

The Delegated CIO produces an annual Sustainable Investment report for the Trustee to review and monitor. The following aspects are included in the reports:

- Integration of ESG risks and opportunities within investment research and decision-making
- Proxy vote decision-making and execution process, including disclosure of voting policy and results
- Process for proactive corporate engagement, including disclosure of engagement activity
- Case studies of investment managers incorporating sustainability within the decision-making process.

Through the engagement undertaken by the Delegated CIO, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Delegated CIO considers the investment managers' policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the time of appointment of a new manager and on an ongoing basis. The Delegated CIO engages with managers to improve their practices and may recommend the termination of a 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.

The Fund is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information is only requested from the Fund's equity managers, or managers who own a significant amount of equity such as listed real estate (REITs) and listed infrastructure, where there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of votes, three of those deemed most significant by the Trustee have been shown below. The Trustee has endeavoured to select "significant" votes which align with the Trustee's identified priorities for voting and engagement – climate change, biodiversity, and diversity, equity and inclusion ("DEI") – where the data has allowed.

Further information on the voting and engagement activities of the managers is provided in the table below¹.

Over the year to the 31 March 2023 Trustee Report & Accounts, the Fund's equity holdings have been invested across six pooled funds:

- Towers Watson Investment Management (TWIM) Global Equity Focus Fund - an active global equity fund managed by the Delegated CIO which invests in a number of underlying active managers.
- State Street (SSgA) Infrastructure Equity MFG Fund – a passive global equity fund focused on equity related to infrastructure companies.
- FSSA China A Shares Fund – an active equity fund focused on equities listed in China.
- GQG Partners Emerging Markets Equity Fund – an active emerging market equity fund.
- Resolution Capital Global Property Securities Fund – an active global equity fund focused on equity related to prime properties.
- Atlas Global Infrastructure Fund – an active global fund focused on listed infrastructure equity.

¹ The following managers were divested during the Fund year: SSgA Infrastructure (switched to Atlas Infrastructure in July 2022); Atlas (redeemed October 2022); GQG Partners (redeemed October 2022); Resolution Capital (redeemed October 2022); FSSA (redeemed October 2022). Where data has been available from the manager, voting information has aimed to be shown for the period the manager was held (to the nearest quarter), otherwise data has been presented 12 months to the Fund's year-end as industry standard.

As outlined above, the Fund invested in both active and passive equity funds.

The Trustee delegates the exercise of voting rights to its investment managers. The Delegated CIO has assessed the investment managers' voting policy as part of its overall assessment of the investment managers' capabilities. The Delegated CIO considered the policy to be appropriate, and consistent with the Trustee's policies and objectives and ultimately, therefore in the best financial interests of the members. Additional oversight on the implementation of this policy is provided through the Delegated CIO's partnership with Equity Ownership Services ("EOS") at Federated Hermes (see below). The Trustee has identified key ESG risks for the Fund as climate change, biodiversity, and DEI and therefore votes on these topics as the most significant for the Fund.

The Delegated CIO views TWIM GEFF as a strong steward of capital through engagements made by underlying managers and through EOS at Federated Hermes, who have been specifically appointed to act in this regard on behalf of the capital in the fund. Underlying managers are continuously monitored and evaluated on their engagement activities, which in 2021 were rated either as a 'Strength' or 'Acceptable' by the Delegated CIO. EOS is rated as a 'Strength' on their ESG engagement activities, where 64% of assets under advice were engaged with over 2022, which is an improvement from 59% over 2021. EOS' engagement plan [covering 2021-2023](#) can be accessed [here](#)¹.

The Delegated CIO's view is that SSgA continues to demonstrate good / leading practice vs. peers, in particular in their willingness to take visible stances on topics they believe important. This is supported by an effective approach to conflict management, high transparency and effective communications. The Delegated CIO continues to engage with SSgA on the level of resourcing of the stewardship team, in particular given breadth / depth of coverage and rapid growth in AUM, as well as pushing for better / more effective fixed income engagement.

The Delegated CIO views the SI approach of FSSA as good. The strategy's fundamental investment approach considers ESG risks and opportunities within their portfolio management process. Corporate engagement and asset stewardship is a key part of the investment process for the team and across all of its investment strategies. The investment team's long-term investment horizon, and their experience of investing in local markets and in companies with strong governance structures, supports that they are well-equipped to engage with company management with a view to improving outcomes for minority shareholders.

The Delegated CIO views GQG Partners' approach to SI as acceptable. Over the year, GQG Partners has made improvements to its practices relating to ESG integration and engagement by upgrading its third-party research provider to Sustainalytics, developing a Stewardship Policy and enhancing its ESG Policy. The Delegated CIO continues to engage for further improvement.

The Delegated CIO's view on Resolution Capital is positive, as the manager publicly supports sustainable investment initiatives with the firm's policy covering ESG integration and analysis being publicly disclosed. Independent assurance is sought for the firm's voting policies. Resolution Capital expects the portfolio to be less exposed to ESG risks than its benchmark on average. Resolution Capital votes on all resolutions that it has the ability to vote on in accordance with the Proxy Voting Policy. Resolution Capital reviews each resolution on a case by case basis in arriving at a voting recommendation and does so by adhering to a solid clearly defined set of principles.

The Delegated CIO's view on Atlas is positive as the strategy aims to deliver long-term sustainable investment outcomes through full incorporation of ESG risks and opportunities into every single stage of analysis and decision making. The manager uses ESG analysis to actively engage with companies to promote responsible and sustainable decision making by management.

¹ <https://www.hermes-investment.com/uploads/2021/10/55ebce0b43155506d9a2b6d0233d8eda/eos-engagement-plan-2021-2023-public.pdf>

a. Voting table – TWIM: Global Equity Focus Fund (GEFF)²

Voting activity	Number of votes eligible to cast: 2,548 Percentage of eligible votes cast: 98.5% Percentage of votes with management: 87.6% Percentage of votes against management: 10.8% Percentage of votes abstained from: 1.6%			
Most significant votes cast	Company	Cigna Corporation	Amazon	Salesforce
	Date of vote	27/04/2022	21/05/2022	03/06/2022
	Size of holdings	1.4%	1.5%	1.5%
	Topic	DEI	Climate change	DEI
	Resolution	Report on Gender Pay Gap	Report on efforts to reduce plastic use	Oversee and report a Racial Equity Audit
	Decision / Vote	For	For	For
	Rationale for voting decision	Supports disclosure of data to assess Cigna's gender pay gap on a raw and adjusted basis, which will positively support Cigna's global recruitment and human resources efforts.	Promotes transparency around environmental issues.	Promotes appropriate accountability and incentivisation on gender and diversity.
	Rationale for classifying as significant	TWIM consider diversity, equity and inclusion important for the long-term success of a company for them to attract and retain talent which in turn is important for shareholders' interests.	TWIM consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.	TWIM consider diversity to be a critical factor influencing the long-term performance and sustainability of a company.
	Outcome of vote	Failed	Failed	Failed
Use of proxy voting	Within the Towers Watson Investment Management Global Equity Focus Fund, the underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. The Fund also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. The underlying managers within the fund are ultimately responsible for the votes.			

² Voting information for GEFF is shown for the year to 31 March 2023.

b. Voting table – State Street (SSgA) Infrastructure Equity MFG³

Voting activity⁴	Number of votes eligible to cast: 1,042 Percentage of eligible votes cast: 98% Percentage of votes with management: 83% Percentage of votes against management: 16% Percentage of votes abstained from: 0%			
Most significant votes cast	Company	SNAM SpA	TERNA Rete Elettrica Nazionale SpA	Power Assets Holdings Limited
	Date of vote	27/04/2022	29/04/2022	18/05/2022
	Size of holdings	2.9%	2.7%	2.2%
	Topic	Climate change	Executive Remuneration	DEI/Board independence
	Resolution	Accept Financial Statements and Statutory Reports	Approve Remuneration Policy	Elect Director
	Decision/Vote	Against	Against	Against
	Rationale for voting decision	Inadequate management of climate-related risks	Apparent failure to link pay and appropriate performance	Concerns related to inappropriate membership of committees, and the approach to board gender Diversity. Also overboarded/too many other time commitments.
	Rationale for classifying as significant	Against management	Against management	Against management
Outcome of vote	Passed	Passed	Passed	
Use of proxy voting	SSgA Infrastructure Equity Fund uses EOS standard voting policy coupled with AMX Proxy Voting Policy for the selection of significant votes. AMX has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.			

³ Voting information for SSgA is shown for the year to 31 March 2023. Significant votes selected from the period invested (Q2 2022).

⁴ Figures may not sum to 100%

c. Voting table - FSSA China A Shares Fund⁵

Voting activity	Number of votes eligible to cast: 1,106 Percentage of eligible votes cast: 100% Percentage of votes with management: 97% Percentage of votes against management: 3% Percentage of votes abstained from: 0%			
Most significant votes cast	Company	Ping An Insurance (Group)	Sany Heavy Industry	Jiangsu Hengrui Pharmaceuticals
	Date of vote	29/04/2022	13/05/2022	08/09/2022
	Size of holdings	4.8%	0.9%	1.4%
	Topic	Governance: Succession planning	Strategy and risk management	Shareholder protection and rights
	Resolution	Elect CAI Xun	Provision of Guarantee for Subsidiaries	Management Measures for the 2022 Employee Stock Ownership Plan
	Decision/Vote	For	For	Against
	Rationale for voting decision	CAI Xun was nominated by Shenzhen SASAC which supports the role of checks and balances. Given the size of board it is necessary to have representatives from different shareholders	Concluded that the guarantee was fine after engagement with company to raise issues	Not in shareholders' interest
	Rationale for classifying as significant	Against proxy advisory service	Against proxy advisory service	Against management
	Outcome of vote	Passed	Passed	Passed
Use of proxy voting	The FSSA China A Shares Fund uses Glass Lewis as proxy voting service vendor to process votes on resolutions of investment companies in their shareholders' meetings. The service platform allows FSSA to source voting ballots from multiple custodians, provides voting research papers with detailed analysis and recommendations. The Head of each asset class or their authorised signatory is responsible for ensuring that all company resolutions are reviewed such that an appropriate and consistent recommendation is made in line with the corporate governance guidelines and principles as outlined in the Proxy Voting policy. Once the proxy voting intentions have been confirmed, they communicate the decision to the Company Engagement team in an agreed format by the pre-advised cut-off. The process allows submission of voting decisions in an efficient centralised manner and it also possesses a reporting function on voting data in various formats which is helpful in reporting to clients.			

⁵ Voting information for FSSA is shown for the year to 31 March 2023. Significant votes selected from the period invested to the nearest quarter (Q2-Q3 2022).
2023

d. Voting table - GQG Partners Emerging Markets Equity Fund⁶

Voting activity⁷	Number of votes eligible to cast: 851 Percentage of eligible votes cast: 97% Percentage of votes with management: 89% Percentage of votes against management: 8% Percentage of votes abstained from: 7%			
Most significant votes cast	Company	JSW Steel Limited	Pinduoduo Inc.	Power Grid Corporation of India Limited
	Date of vote	02/07/2022	31/07/2022	29/08/2022
	Size of holdings	Information not available	Information not available	Information not available
	Topic	Executive Remuneration	DEI	DEI
	Resolution	Approve/Amend Employment Agreements	Elect Director	Elect Director
	Decision/Vote	Against	Against	Against
	Rationale for voting decision	Concerns related to executive's remuneration and the executive's ability to devote adequate time to the company existing commitment to a directorship role in another company	Concerns related to lack of board diversity	Concerns related to lack of board diversity, skills, and experience of nominees
	Rationale for classifying as significant	Against management	Against management	Against management
Outcome of vote	Information not available	Information not available	Information not available	
Use of proxy voting	To augment its independent research, GQG Partners uses Institutional Shareholder Services Inc. ("ISS") as an additional source of information to guide its voting. While GQG Partners votes with ISS on the majority of issues, it does not blindly follow their lead and will vote against their recommendations when it deems it necessary. GQG retains ISS to assist in the coordination and voting of proxies.			

⁶ Voting information for GQG Partners is shown for the period invested to the nearest quarter (Q2-Q3 2022).

⁷ Figures may not sum up to 100% as there were a number of votes where management did not provide a recommendation

e. Voting table - Resolution Capital Global Property Securities Fund⁸

Voting activity	Number of votes eligible to cast: 590 Percentage of eligible votes cast: 100% Percentage of votes with management: 98% Percentage of votes against management: 2% Percentage of votes abstained from: 0%			
Most significant votes cast	Company	VNA-DE	ARE-US	HR-US
	Date of vote	29/04/2022	17/05/2022	15/07/2022
	Size of holdings	1.0%	2.1%	1.8%
	Topic	Executive remuneration	Shareholder protection and rights	Shareholder protection and rights
	Resolution	Approve remuneration report	Director Elections	Approve Merger Agreement
	Decision/Vote	Against	Against	Against
	Rationale for voting decision	Concerns related to inappropriate incentives for senior management	Concerns related to shareholders rights to amend governance documents such as company bylaws	Concerns related to the financial outcomes from the merger that were considered less than ideal for shareholders
	Rationale for classifying as significant	Against management	Against management	Against management
	Outcome of vote	Passed	Passed	Passed
Use of proxy voting	Resolution Capital will vote on all resolutions that it has the ability to vote on in accordance with client investment management agreements. In the event that the manager receives a direction from a separately managed client account in relation to the way a proxy should be voted, Resolution Capital will use its best endeavours to implement the direction. In the absence of any direction, Resolution Capital will exercise the right to vote as it sees fit, having regard to the objective of the investment mandate and taking into consideration any material conflicts of interests identified. For pooled products, Resolution Capital will determine how to vote in accordance with the Proxy Voting Policy. The proxy votes are submitted via the ISS (Institutional Shareholder Services) Proxy Exchange portal, to facilitate and assist with the voting process. Resolution Partners uses Institutional Shareholder Services Inc. ("ISS") as an additional source of information to guide its voting and submits proxy votes via ISS ProxyExchange portal.			

⁸ Voting information for Resolution Capital is shown for the period invested to the nearest quarter (Q2-Q3 2022).
2023

f. Voting table – Atlas Global Infrastructure Fund ⁹

Voting activity	Number of votes eligible to cast: 26 Percentage of eligible votes cast: 100% Percentage of votes with management: 81% Percentage of votes against management: 19% Percentage of votes abstained from: 0%			
Most significant votes cast	Company	Eutelsat Communications	Eutelsat Communications	Eutelsat Communications
	Date of vote	10/10/2022	10/10/2022	10/10/2022
	Size of holdings	3.8%	3.8%	3.8%
	Topic	Executive remuneration	Executive remuneration	Executive remuneration
	Resolution	Approval of the Fixed, Variable and Exceptional Components of the Total Remuneration and Benefits of Any Kind Paid or Allocated Because of the Term of Office for the Financial Year Ending 30/06/22 to the CEO	Approval of the Fixed, Variable and Exceptional Components of the Total Remuneration and Benefits of Any Kind Paid or Allocated Because of the Term of Office for the Financial Year Ending 30/06/22 to the Vice CEO	Approval of the Remuneration Policy for the CEO
	Decision/Vote	Against	Against	Against
	Rationale for voting decision	Items relate to the FY22 compensation package of the CEO and Vice CEO based on the remuneration policy which was previously voted 'Against', and concerns still exist about the principal structure.	Items relate to the FY22 compensation package of the CEO and Vice CEO based on the remuneration policy which was previously voted 'Against', and concerns still exist about the principal structure.	Concerns relating to the remuneration policy of the CEO and Vice CEO given heavy emphasis on top revenue growth rather than value creation (i.e. free cashflow or total shareholder return)
	Rationale for classifying as significant	Against management	Against management	Against management
Outcome of vote	Information not available	Information not available	Information not available	
Use of proxy voting	Atlas does not use a proxy voting service, as the manager believes that they can influence good corporate governance through the exercise of its legal rights for the benefit of its investors. The manager views voting as an extension of their investment process and their focus on delivering sustainable long-term returns. As such, responsibility for voting recommendations lies with the manager's sector teams which undertake research on the companies. Atlas' Investment Committee has ultimate responsibility for final decisions on proxy votes submitted for a portfolio holding. This oversight provides consistency and ensures compliance with voting guidelines. Voting instructions are submitted via ProxyEdge.			

⁹ Voting information for Atlas is shown for the year to 31 March 2023. Significant votes selected from the period invested (July 2022 - October 2022).

Industry wide / public policy engagement:

As mentioned in the SIP, the Delegated CIO has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Delegated CIO represents client policies/sentiment to EOS via the Client Advisory Council, which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to several of its funds.

Some highlights from EOS' activities over 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

The Delegated CIO is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retaining that status
- Co-founding the Net Zero Investment Consultants Initiative in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founding the Investment Consultants Sustainability Working Group
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network
- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

Section 3: Conclusion

The Trustee considers that all policies and principles in the Statement of Investment Principles were adhered to during the year.

The Delegated CIO will continue to monitor the investment managers' stewardship practices on an ongoing basis.

Approval

Approved by the Trustee on **[insert date]**