

Your Engagement Policy Implementation Statement

This document sets out the actions undertaken by the Trustee, its service providers and investment managers, to implement the stewardship policy set out in the Statement of Investment Principles ("SIP"). The document includes voting and engagement information that has been gathered from the asset managers and an overview of how the policies within the SIP have been implemented during the reporting period.

This is the engagement policy implementation statement the Trustees have prepared and covers the year ending 31 December 2020. The engagement policy implementation statement was approved by the Trustee at the Trustee meeting on 16 June 2021.

Plan Stewardship Policy Summary

The below bullet points summarise the Plan Stewardship Policy in force over the year to 31 December 2020. The full SIP is available via the following weblink: <https://globalmarine.group/wp-content/uploads/2021/03/GMS-SIP-March-2021.pdf>

- The Trustee wishes to ensure that its influence as a share owner is used to safeguard and raise standards of corporate governance and social and environmental management within its investee companies and believes that this will contribute to raising long-term financial returns.
- As part of their delegated responsibilities, the Trustee expects the Plan's investment managers to: 1) Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and 2) exercise the Trustee's voting rights in relation to the Plan's assets.

Plan stewardship activity over the year

Training

Over the year, the Trustee had responsible investment training sessions with their investment advisor, which provided the Trustee with updates on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making.

The first training session was provided to the Trustee in March 2020 where the Trustee was made aware of the upcoming regulatory changes. In June, the Trustee received further training on the new regulations and discussed new wording to include in the SIP relating to their views on responsible investment. In July, the Trustee discussed the approach to responsible investment taken by the delegated team and discussed further amendments to the SIP. In August, the Investment Committee discussed an action plan to review its investments in respect of ESG risks and opportunities, and in September the SIP was updated to capture the Trustees' views and principles.

Updating the Stewardship Policy

During the training sessions and throughout the year, the Trustee has ensured the Plan appropriately updated the Stewardship policy in the SIP.

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well

as indicating how the Trustee would review the suitability of the Plan's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports provided to the Trustee by Aon. The reports include ESG ratings and highlight any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Engagement – Fiduciary Manager

Under the Trustee's fiduciary mandate managed by Aon Investments Limited ("AIL"), AIL appoint underlying asset managers to achieve an overall target return. The Trustee delegates the monitoring of ESG integration and stewardship quality to AIL and AIL has confirmed that all equity and fixed income managers have been rated 2 or above on AIL's four-tier ESG ratings system. This means that all the appointed asset managers are at least aware of potential ESG risks in the investment strategy and have taken some steps to identify, evaluate and potentially mitigate these risks.

The Trustee has reviewed the AIL Annual Stewardship Report and are aware that AIL is using its resources to appropriately influence positive outcomes in the strategies in which they invest.

AIL engaged with one of the managers in the Global Equity Strategy, during Q2 2020. As part of AIL's ESG deep dive engagement with the manager, it became apparent that they lacked structured analysis of ESG risks and predominantly engaged with companies on governance related issues. It was clear to AIL that the manager had thought about ESG risks in their portfolio, however it seemed like something that analysts and portfolio managers did on an ad-hoc basis rather than being a robustly integrated part of their process.

The lack of a formal process for assessing ESG risks, coupled with limited engagements on environmental and social matters provided AIL with an opportunity to encourage the manager into making improvements. Following the meeting AIL provided feedback to the manager that it should:

- Develop a more thorough and formal method for assessing ESG risks.
- Develop an understanding of TCFD to improve monitoring of climate related risks and reporting on it.
- Improve voting and engagement activities which were currently centred around governance issues.
- Work with the proxy advisor to improve the data collected and report on proxy voting.

During AIL's second ESG deep dive meeting with the manager in Q4 2020, AIL were pleased to see improvements and progress made. Specifically, the manager had:

- Formalised the ESG integration process by building out a framework for assessing ESG risks.
- Onboarded ESG data provider, Sustainalytics, and to use the data provided alongside a set of qualitative ESG questions to feed into the quality rating that the manager gives each company, which forms a critical component of the investment decision.

- Taken more time to engage with companies on environmental and social issues, such as standards to measure board diversity and composition, as well as engaging with a distribution business on carbon emissions and how they can more efficiently move goods around.

Given that during AIL's first meeting with the manager they could only speak about governance related engagements and had no formal process for assessing ESG risks, AIL believe these improvements demonstrate significant progression and should better protect and enhance the long-term value of the portfolio.

Voting and Engagement activity – Equity

Under the Trustee's fiduciary mandate managed by AIL, the Plan was invested in the AIL Emerging Markets Equity Strategy as well as a synthetic equity allocation (composed of equity index futures contracts, to which there are no voting rights attached). The Plan was also invested in the AIL Global Equity Strategy, but redeemed its investment in November 2020.

AIL Emerging Markets Equity Strategy

The main equity investments held in the Emerging Markets Equity strategy were:

Manager	
Neuberger Berman	Emerging Markets
Oaktree	Emerging Markets Equity Fund
Coronation	Global Emerging Markets Fund
TT International	Emerging Markets Unconstrained
GQG	Emerging Markets Fund

All managers use the services of respective proxy voting organisations for various services that may include research, vote recommendations, administration, vote execution.

Within the Emerging Markets Equity Strategy, all managers voted at least 99% of eligible resolutions. Relative to the other equity strategies, these funds broadly had a higher proportion of votes against management recommendations. For example, TT International voted against management on at least 10% of the resolutions in every quarter over 2020. A full summary of the voting statistics by strategy can be found at the end of the statement.

Of a significant vote, in Q1 2020 Oaktree voted against management on a proposal to elect outside director candidate Han Ae Ra to SK Hynix. Oaktree noted that Ms. Han did not possess any relevant business or industry experience. However overall, management was supported in their decision to elect Han Ae Ra.

Similarly, in Q1 2020 Oaktree voted against the management of China Longyuan Power to appoint Mr. Zhang Xiaoliang as a non-executive director. Oaktree believed Mr Zhang's interests would be to serve the Chinese political apparatus rather than the interest of minority shareholders. However, management was overall supported in their decision.

As an example of engagement activity, in March 2020 Neuberger Berman engaged with Huatai Securities on issues including improved board governance and development of ESG policies. On board governance, this resulted in the firm successfully separating the Chairperson role from the CEO role and led to an improved employee training and feedback process. On ESG policies, while Huatai had a policy on the investment management side, Neuberger Berman also suggested they establish formal ESG policies on agriculture, biodiversity and climate change in relation to financing activities.

AIL Global Equity Strategy

The main equity investments held in the Global Equity strategy were:

Manager	
Sands	Global Growth Fund
Harris	Global Equity Fund
GQG Partners	Global Equity Fund
Longview	Global Equity Fund
Arrowstreet	Global Developed Equity Fund

All managers use the services of third-party proxy voting organisations and voted in at least 96% of the resolutions in which they were eligible to vote except that:

- GQG voted in 87% of resolutions in Q1 2020 but have since voted in at least 96% through 2020.
- Longview voted in at least 90% of resolutions in Q1 2020, but overall, their voting activities were near 100% through 2020.

Full voting statistics in relation to the Global Equity Strategy have not been disclosed in this statement since the Scheme was only invested in the strategy for part of the year.

An example of a significant vote by Sands against management took place in September 2020 regarding executive officer's compensation at NIKE, Inc and was assessed as significant as Sands were in the minority on this issue and felt that the company's disclosures around a multi-year compensation plan made it difficult to support.

Sands believed that paying a combined \$20M transition bonus to ex-CEO Mark Parker & incoming CEO John Donahoe without clear disclosed targets was inappropriate and that utilizing the 'top 45% TSR for the S&P 500' was not an appropriate hurdle for compensating top-tier executives at a company like Nike.

Sands engaged with the company and some clarity was provided (Exec. Chairman Mark Parkers pay will be coming down to \$8M p.a. or so in the future), but they still felt as though the quality of the pay program did not match the levels of pay provided to the CEOs. There is also a notable gap between other senior executives and John Donahoe's pay package. Sands plan to continue engaging with the company on this over time to help improve the plan.

As an example of engagement activity, in November 2020, Harris engaged with the Oracle Corporation regarding gender and racial pay gap reporting. After considering the case, Harris decided to vote with management against this resolution, but engaged with the company directly to communicate the importance that they attach to this issue, which Harris have stated they will continue to monitor to ensure that the issue is being adequately managed. Harris did not support the shareholders resolution as it believed it was not in the financial interest of shareholders, and because it stated that Oracle are already reporting in line with other technology companies and undertaking sufficient initiatives to ensure gender equality in the workplace.

Arrowstreet stated that they do not engage with companies due to the quantitative nature of their strategy, which includes a high turnover of investments. AIL engaged with Arrowstreet regarding the fact that their investment strategy is not suited to traditional engagement and discussed the possibilities of using a third party engagement provider, which the manager is now considering.

Engagement activity – Hedge Fund Managers

The Trustee delegates the management of a hedge funds portfolio to AIL. Opportunities for engagement are more limited in such investments given their investment process and nature of investments. In particular, the Trustee acknowledges voting activity from the Hedge Fund managers may be limited due to the potentially short-

term/opportunistic nature of Hedge Fund investments. This is evident from some of the voting information gathered by applicable managers thus far. For example, one of the underlying appointed funds, a long/short equity hedge fund had 58 ballots, of which 6 were votes against management, but 9 were not voted due to the Fund no longer holding the position or having sold short the position. While stewardship may be less material for these funds, the Trustees note that AIL will still periodically ask these responsible investment related questions and engage with Hedge Fund managers where appropriate and expect that over time, more detail will be provided.

Another hedge fund manager within the strategy implements an annual survey of its stewardship activities with the aim of providing details of the principal occasions on which the manager has felt it appropriate to intervene on stewardship matters. The survey is accompanied by data related to the manager's routine involvement with company managers of their underlying investments as well as any proxy voting records carried out by their proxy voting provider, Glass Lewis.

Engagement activity – Fixed Income Managers

The Plan invests in Fixed Income securities through their arrangement with AIL.

The Trustee delegates the monitoring of ESG integration and stewardship quality to AIL, and AIL has confirmed that all managers were rated at least 2, which means that all of the fund management teams are aware of potential ESG risks in the investment strategy and have taken some steps to identify, evaluate and potentially mitigate these risks.

While Equity managers may have more direct influence on the companies they invest in, Fixed Income managers are also increasingly influential in their ability to encourage positive change. A high-profile example of this is from Robeco (a Multi Asset Credit manager in the AIL portfolio) who have had ongoing engagement with Shell. In 2017, Shell announced their aim to reduce the net carbon footprint of its energy products by around half by 2050. Whilst the manager was supportive of this step, they were not fully satisfied and continued to push Shell to set short-term targets. Following a series of engagements over a two year period, Robeco and Shell agreed a joint statement committing Shell to various actions, including setting climate targets and linking these targets to executive remuneration. Robeco believes Shell now leads the sector in terms of their planning and positioning for the energy transition.

The Trustee believes that engagements of this nature are key to reducing ESG risks within the Plan's portfolio, as well as having the added benefit of contributing to the transition towards a low carbon economy.

Engagement – Alternative Managers

The Plan invests in a number of alternative strategies. These include managed futures, insurance linked securities, defensive equities, risk parity, gold and listed property.

The Trustee recognises that the respective investment processes and often illiquid nature of the alternative investments may mean that stewardship is potentially less applicable or may have a less tangible financial benefit. Nonetheless, the Trustee still expects that all of the Plan's managers should open a dialogue to engage with issuers/companies they invest in, should they identify concerns that may be financially material.

Leadenhall – Insurance Linked Securities Fund

The following practices from Leadenhall Capital Partners (who manage an Insurance Linked Securities Fund within the AIL strategy) illustrates this. Leadenhall assesses adherence to ESG principles by considering specific factors, examples may include:

1. Environmental impact including pollution prevention (via underwriting standards) and remediation (via providing capital for protection), reduced emissions, preventing the spread of pandemic disease and adherence to environmental safety and regulatory standards.
2. Social impact including human rights, welfare and community impact issues.
3. Governance issues including board structure, remuneration, accounting quality and corporate culture.

In particular, pricing for climate change risk is an inherent part of Leadenhall's analysis of potential investments. MS Amlin, part of Leadenhall's parent group (MS&AD) and a reinsurer with sourcing and underwriting resources that Leadenhall leverages, is very active in monitoring, studying and looking at ways to tackle climate change. They are a Member of the Cambridge Institute for Sustainability Leadership and ClimateWise. Through this, MS Amlin aims to better communicate, disclose and respond to the risks and opportunities associated with the climate-risk protection gap.

Leadenhall perform a detailed review of their Investment counterparties policies and controls including those concerning their explicit ESG and Corporate Social Responsibility frameworks. Where appropriate they will make recommendations to avoid investment Counterparties who are not aligned with ESG policies.

Real Estate

The Trustee appreciates that engagement activities within the property pool may be limited in comparison to other asset classes, such as equity and fixed income. Nonetheless, the Trustee expects ESG engagement to be integrated in its managers' investment approaches. All three investment managers (BlackRock, Lothbury and Threadneedle) in the property pool are signatories of the UN PRI and have adopted ESG policies across their investments. Threadneedle take an approach to real estate whereby they strive to understand the risks posed within the asset class, and focus on mitigating these during the lifecycle of the projects. This can be done through property management, refurbishment and building improvements and strategic asset management. According to Lothbury's responsible property investment policy, the key areas it focuses on include energy efficiency, water management and waste reduction. All real estate managers are GRESB¹ participant members.

In summary

Based on the activity over the year by the Trustee and their service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that most of their applicable asset managers were able to disclose strong evidence of voting and engagement activity.

The Trustee expects improvements in disclosures over time, in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement.

¹ GRESB, Global Real Estate Sustainability Benchmark is a leading organisation that assesses and benchmarks the Environmental, Social and Governance (ESG) and other related performance of real assets, providing standardised and validated data to the capital markets.

Appendix - Voting Statistics



This below information relates to some of the specific funds the Plan invests in.

Voting Statistics over the year to 31 December 2020

ALL Emerging Markets Equity Strategy

Neuberger Berman Emerging Markets ("Neuberger Berman")	Q1 2020	Q2 2020	Q3 2020	Q4 2020
% of resolutions voted on for which the fund was eligible	100%	100%	100%	100%
Of the resolutions on which the fund voted, % that were voted against management	28%	14%	19%	7%
Of the resolutions on which the fund voted, % that were abstained from?	0%	0%	0%	0%

Oaktree Emerging Markets Equity Fund ("Oaktree")	Q1 2020	Q2 2020	Q3 2020	Q4 2020
% of resolutions voted on for which the fund was eligible	100%	100%	100%	100%
Of the resolutions on which the fund voted, % that were voted against management	8%	8%	1%	8%
Of the resolutions on which the fund voted, % that were abstained from?	9%	1%	0%	1%

Coronation Global Emerging Markets Fund ("Coronation")	Q1 2020	Q2 2020	Q3 2020	Q4 2020
% of resolutions voted on for which the fund was eligible	100%	100%	100%	100%
Of the resolutions on which the fund voted, % that were voted against management	8%	12%	15%	5%
Of the resolutions on which the fund voted, % that were abstained from?	2%	3%	0%	0%

TT International Emerging Markets Unconstrained	Q1 2020	Q2 2020	Q3 2020	Q4 2020
% of resolutions voted on for which the fund was eligible	100%	100%	100%	100%
Of the resolutions on which the fund voted, % that were voted against management	30%	16.0%	11.2%	10%
Of the resolutions on which the fund voted, % that were abstained from?	0%	6%	0%	0%

GQG Emerging Markets ("GQG")	Q1 2020	Q2 2020	Q3 2020	Q4 2020
% of resolutions voted on for which the fund was eligible	87%	99%	96%	98%
Of the resolutions on which the fund voted, % that were voted against management	5%	6%	15%	6%
Of the resolutions on which the fund voted, % that were abstained from?	0%	0%	4%	0%

* GQG were unable to provide voting statistics at a strategy level, but state that they will do so in the next quarter.

AIL Global Equity Strategy

Sands Global Growth ("Sands")	Q1 2020	Q2 2020	Q3 2020	Q4 2020
% of resolutions voted on for which the fund was eligible	100%	100%	100%	100%
Of the resolutions on which the fund voted, % that were voted against management	3%	5%	2%	0%
Of the resolutions on which the fund voted, % that were abstained from?	0%	0%	0%	0%
Harris Global Equity ("Harris")	Q1 2020	Q2 2020	Q3 2020	Q4 2020
% of resolutions voted on for which the fund was eligible	>98%	100%	100%	100%
Of the resolutions on which the fund voted, % that were voted against management	0%	0%	4%	7%
Of the resolutions on which the fund voted, % that were abstained from?	0%	2%	0%	0%
GQG Partners Global Equity ("GQG")	Q1 2020	Q2 2020	Q3 2020	Q4 2020
% of resolutions voted on for which the fund was eligible	87%	99%	96%	98%
Of the resolutions on which the fund voted, % that were voted against management	5%	6%	15%	6%
Of the resolutions on which the fund voted, % that were abstained from?	0%	0%	4%	0%
Longview Global Equity ("Longview")	Q1 2020	Q2 2020	Q3 2020	Q4 2020
% of resolutions voted on for which the fund was eligible	>90%	100%	100%	100%
Of the resolutions on which the fund voted, % that were voted against management	2%	3%	0%	11%
Of the resolutions on which the fund voted, % that were abstained from?	0%	1%	0%	0%
Arrowstreet Global Developed Equity ("Arrowstreet")	Q1 2020	Q2 2020	Q3 2020	Q4 2020
% of resolutions voted on for which the fund was eligible	100%	98%	98%	84%
Of the resolutions on which the fund voted, % that were voted against management	7%	9%	7%	12%
Of the resolutions on which the fund voted, % that were abstained from?	0%	1%	1%	0%