

Engagement Policy Implementation Statement

Global Marine Systems Pension Plan (the “Plan”)

The Engagement Policy Implementation Statement (“EPIS”) has been prepared by Global Marine Systems Pension Trustee Limited (the “Trustee”) and covers the Plan year 1 January to 31 December 2021.

This statement was approved by the Trustee alongside the Trustee Report and Accounts on 7 July 2022.

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the “Regulations”). The Regulations require that the Trustee produces an annual statement which outlines the following:

- Explain how and the extent to which the Trustee has followed their engagement policy which is set out in the Statement of Investment Principles (“SIP”).
- Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Plan year and state any use of third party provider of proxy voting services.

Executive summary

Based on the activity over the year by the Trustee, its fiduciary manager and its underlying investment managers, the Trustee believes that its stewardship policy has been implemented effectively. The Trustee notes that its fiduciary manager and most of its underlying investment managers were able to disclose good evidence of engagement activity.

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

Plan stewardship policy

The below bullet points summarise the Plan’s stewardship policy in force over the year to 31 December 2021.

The full SIP can be found here: <https://globalmarine.group/wp-content/uploads/2021/03/GMS-SIP-March-2021.pdf>

- Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as ultimately this creates long-term financial value for the Plan and its beneficiaries.
- The Trustee annually reviews the stewardship activity of its fiduciary manager to ensure the Plan’s stewardship policy is being appropriately implemented in practice. The Trustee receives annual reports on stewardship activity carried out by the fiduciary manager, these reports include detailed voting and engagement information from underlying asset managers.
- As part of the management of the Plan’s assets, the Trustee expects the fiduciary manager to:
 - Ensure that (where appropriate) underlying asset managers exercise the Trustee’s voting rights in relation to the Plan’s assets; and
 - Report to the Trustee on stewardship activity by underlying managers as required.
- The Trustee will engage with the fiduciary manager as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned

- The Trustee may engage with the fiduciary manager, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which it would monitor and engage so as to bring about the best long-term outcomes for the Plan.

Plan stewardship activity over the year

Updating the Stewardship Policy

During the training sessions and throughout the year, the Trustee has been proactive to ensure the Scheme 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 Scheme'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 a monitoring reports being 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 activity – Fiduciary manager

The Trustee has delegated the management of most of the Plan's assets to its fiduciary manager, Aon Investments Limited ("AIL"). AIL manages the Plan's assets in a range of funds which can include equity, fixed income, multi-asset, multi-manager and specialist third party liability matching funds. AIL selects the underlying investment managers to manage the investments on behalf of the Trustee.

The Trustee has reviewed the AIL Annual Stewardship Report and believe it shows that AIL is using its resources to effectively influence positive outcomes in the strategies relevant to the Plan.

AIL has undertaken a considerable amount of engagement activity over the year. AIL held several Environmental, Social and Governance ("ESG") focussed meetings with the underlying managers across all its strategies. At these meetings, AIL discussed ESG integration, voting and engagement activities undertaken by the investment managers, allowing AIL to form an opinion on each manager's relative strengths and areas for improvement. AIL provided feedback to the managers following these meetings with the goal of lifting the standard of ESG integration across its portfolios. AIL continues to execute its ESG integration approach and engage with managers.

Aon Solutions UK Limited ("Aon") also actively engages with investment managers and this is used to support AIL in its fiduciary services. Aon launched its Engagement Programme in 2020, a cross asset class initiative which brings together Aon's manager research team and responsible investment specialists to promote manager engagement with the needs of Aon's clients in mind.

In Q3 2021, Aon and AIL were confirmed as a signatory to the UK Stewardship Code. With one-third of applicants failing to be awarded signatory status, this achievement confirms the strength and relevance of stewardship activity by Aon and AIL.

Engagement Example – Fixed income manager

In October 2021, Aon engaged with an underlying fixed income manager. The manager had effective models to analyse ESG data and identify securities associated with controversial activity which Aon found encouraging. The manager also shared its engagement activity and literature on ESG issues.

Aon identified that the manager needed to translate these into clearer policies which would lead to better engagement decisions. Aon hopes the manager will develop a process for carrying out thematic engagements and greater formalisation for climate risk engagement.

Voting and Engagement Activity – Underlying Investment Managers

Over the period, the Plan was invested in a number of equity, fixed income and alternative funds through its investments with AIL. This section provides an overview of the voting (where applicable) and engagement activities of some of the most material underlying managers.

The Trustee considers a significant vote one which the voting manager deems to be significant, or a vote where more than 15% of votes were cast against management.

Voting and Engagement activity – Equity

Over the period, the Plan was invested in the AIL Global Equity Strategy and AIL Emerging Market Equity Fund.

AIL Emerging Markets Equity Strategy

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

Manager	Fund name
Oaktree Capital management ("Oaktree")	Emerging Markets Equity Fund
GQG Partners ("GQG")	Emerging Markets Equity Fund
TT International Asset Management Ltd ("TT International")	Emerging Markets Unconstrained Strategy
Coronation Fund Managers ("Coronation")	Global Emerging Markets Fund

All of the underlying managers use proxy voting advisers for various services that may include research, vote recommendations, administration and vote execution (typically Institutional Shareholder Services ("ISS") and/or Glass Lewis). Oaktree uses the third-party electronic voting service, ProxyEdge, solely for ballot calendar management and submitting voting instructions as it believes its analyst are best placed to decide how to vote.

Within the Emerging Markets Equity Strategy, all managers voted at least 97% of eligible resolutions. Compared to the other equity strategies, these funds broadly had a higher proportion of votes against management recommendations. For example, Coronation voted against management on at least 12.4% of the resolutions over 2021. A summary of the voting statistics by manager can be found in the appendix.

Voting example:

In March 2021, Oaktree voted against a management proposal from mining company Vale. The proposal recommended reducing the number of ordinary meetings and amending the minimum

number of members needed to call a meeting of the board of directors. Oaktree felt that reducing the number of ordinary meetings and making it more challenging for members to call a meeting did not benefit minority shareholders.

The vote passed despite Oaktree’s vote against the resolution. Oaktree stated that it speaks regularly with Vale to improve its governance practices.

Engagement example:

In September 2021, GQG engaged with Occidental Petroleum because the company is a significant contributor to GQG’s carbon emissions, and it has a high ESG risk rating by third-party ratings providers.

The engagement helped GQG understand on the company’s carbon strategy. It learned how Occidental Petroleum could apply its expertise and infrastructure to gain a competitive advantage in carbon capture, utilisation and storage. During a follow-up engagement call, the company provided information about a specific regulatory order related to the decommissioning of an offshore oil rig.

ALL Global Equity Strategy

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

Manager	Fund name
Sands Capital Management (“Sands”)	Global Growth Fund
Harris Associates (“Harris”)	Global All Cap Equity Strategy
GQG	Global Equity Fund
Longview Asset Management (“Longview”)	Global Equity Fund
Arrowstreet Capital (“Arrowstreet”)	Global Developed Equity Fund

All of the underlying managers use proxy voting advisers for various services that may include research, vote recommendations, administration and vote execution (typically ISS and/or Glass Lewis).

Within the Global Equity Strategy, all managers voted at least 96% of the resolutions they were eligible to vote on. A summary of the voting statistics by manager can be found in the appendix.

Voting example:

In May 2021, Sands voted against a resolution to re-approve a stock option plan and re-approve a long-term incentive plan. Sands voiced its concerns to Shopify about the proposal ahead of the annual general meeting (“AGM”). Sands agreed with Glass Lewis and ISS that this plan is suboptimal with the potential for excessive dilution. Shopify already had a significant number of shares (~25m) available to them from past grants remaining to be issued, and Sands were concerned about the extremely large amount of potential dilution and cost.

Given the large number of remaining shares available to be granted already and various positive developments since the last incentive plan, Sands did not think a vote against this proposal constrains the company from attracting/retaining top talent in any way. The outcome was that the resolution passed despite Sands’ vote against management. Sands will continue to engage with the company to identify the rationale and potential areas of improvement on this topic.

Engagement example:

Unlike other managers, Arrowstreet do not track significant votes. This is largely a function of the quantitative and highly diversified nature of the Arrowstreet strategy and high levels of turnover (i.e. the manager has a shorter holding period relative to the Plan's other managers). Nevertheless, AIL has opened a dialogue with Arrowstreet to assist it in improving its policy for reporting on significant votes, and will update the Trustee in due course.

An example of engagement activity, Arrowstreet states that meeting with company management is not part of its research or investment processes; coupled with its shorter term holding periods and highly diversified portfolios. Arrowstreet therefore does not believe it has a competitive advantage in company engagement. However, following engagement with AIL over the Plan year, Arrowstreet has recognised that engagement is increasingly important to some of its investors (including AIL, and the Plan) and as a result has partnered with a leader in responsible investing to provide that service. Arrowstreet's engagement activities are now fully outsourced through Sustainalytics, offering an established, standardised and systematic engagement framework with a global investor base. However due to the timing of this new partnership with Sustainalytics, Arrowstreet has not been able to provide engagement data for the Plan year, but hope to be able to facilitate future requests.

Engagement activity – Hedge Funds

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, the Trustee notes 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.

Boussard and Givaudan (“BG”) - BG Fund

In the pursuit of diversified returns, BG implements multiple strategies. Some of these involve the short-term trading of large baskets of securities which makes voting impractical. As a result, the Group will generally vote for companies in which it has a material interest in doing so for the benefit of its investors, namely when:

- the position represents 0.25% or more of the Group's assets under management and the Group holds 0.25% or more of the investee company's voting rights; or,
- the Group holds 1.00% or more of the investee company's voting rights.

The Group may however vote where the above thresholds are not met when it believes it is in the interests of its investors. The Group generally votes proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any, (each a “proxy”) in accordance with the following guidelines:

- The Group will generally support a current management initiative, if its view of the issuer's management is favourable;
- The Group will generally vote to change the management structure of an issuer, if it would lead to an increase in shareholder value;
- The Group will generally vote against management, if there is a clear conflict between the issuer's management and shareholder interest;

All proxies are evaluated and voted on a case-by-case basis, considering each of the relevant factors set forth above. There may be a situation where the Group decides, in the best interests of its client, to deviate from this policy or abstain from voting. In this event, the Group will document in writing the reason for the deviation/abstention.

Engagement

In its role as an asset manager BG acts on behalf of a number of retail, professional and institutional clients in its engagement with companies it invests in. BG recognises that it has a fiduciary duty to act

in the best interest of its clients over both short and long-term horizons. This duty includes undertaking responsible stewardship of client assets in a way that should add value for clients through time.

The Engagement policy sets out how BG engages with investee companies. The implementation of this policy will be reported publicly on an annual basis and will include a general description of voting behaviour, an explanation of the most significant votes and the use of proxy advisors. More information can be found here [Engagement_Policy_2020_FINAL.pdf \(boussard-gavaudan.com\)](#)

Engagement Example

In Q2 2021, BG engaged with an asset management company who they considered were lagging on the ESG front. It expected a marked improvement of ESG score in 2021. Later on, the company started to improve its report and disclosures which resulted in a significant rating upgrade from ESG rating agencies.

Marshall Wace - Trade Optimised Portfolio System (“Tops”) Fund

Marshall Wace view this as a long-term process and believe that engagement is an effective tool to achieve meaningful change. It is committed to engaging with companies in which clients' assets are invested on a wide range of topics. It is the intention of its fundamental investment teams to foster a constructive and collaborative relationships with the companies in which the funds it manages have positions.

Marshall Wace fully recognise that a management team is appointed by a company's shareholders to manage that company's business. Its activities in relation to governance and stewardship are consequently focussed on the issues that Marshall Wace consider are the most significant to generating shareholder value – typically these could include corporate strategy, board issues (such as its leadership, composition and incentivisation), financing, corporate actions such as major acquisitions or disposals, management of risks and overall corporate performance

Engagement activity – Fixed Income

Over the year, the Plan was invested in fixed income securities through its arrangement with AIL. Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. While equity managers may have more direct influence on the companies it invests in, fixed income managers are increasingly influential in encouraging positive change.

Debt financing is continuous, and debt issuers have a vested interest to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be limited compared to equities, downside risk mitigation and credit quality are critical to investment decision-making.

Engagement example:

An example of an engagement conducted during the Plan year was by PIMCO. PIMCO continuously engaged with Tesco on its sustainability targets. From the engagement PIMCO learned more about Tesco's aim to use more sustainable packaging and establish a closed-loop recycling system for the plastic it uses. Tesco worked with suppliers and industry leading innovation to remove hard-to-recycle materials and create recyclable products that prolong the shelf life of goods and reduce food waste. In addition, Tesco issued its first sustainability-linked bond in early 2021.

PIMCO chose this as a significant example because it aligns with its engagement policy of engaging with issuers on material ESG topics .

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

Engagement activity – Alternatives

The Plan was invested in a number of alternative strategies during the year. These included 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 Capital Partners (“Leadenhall”) – Insurance Linked Securities Fund

Leadenhall assesses adherence to ESG principles by considering specific factors including:

- Environmental impact including pollution prevention and remediation, reduced emissions, preventing the spread of pandemic disease and adherence to environmental safety and regulatory standards.
- Social impact including human rights, welfare, and community impact issues.
- Governance issues including board structure, remuneration, accounting quality and corporate culture.

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. It is 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 performs a detailed review of its investment counterparties policies and controls including their ESG and Corporate Social Responsibility frameworks. Where appropriate, Leadenhall will make recommendations to avoid investment counterparties who are not aligned with its ESG policies.

Engagement activity – Property

The Trustee acknowledges that the ability of property managers to engage with and influence investee companies may be less compared to equity managers. Nonetheless, the Trustee expects ESG engagement to be integrated in its managers' investment approaches.

All four investment managers (BlackRock, Lothbury, Threadneedle and Schroder) in the property pool are signatories of the UN PRI and have adopted ESG policies across their investments. Threadneedle takes an approach to real estate whereby it strives 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.

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

Appendix – Voting statistics for the year ending 31 December 2021

AIL Global Equity Strategy

	Number of resolutions eligible to vote on over the period	% of resolutions voted on (where the fund was eligible)	Of the resolutions on which the fund voted, % that were voted against management	Of the resolutions on which the fund voted, % that were abstained from
Sands Global Growth Fund	411	98.1%	6.2%	0.0%
Harris Global All Cap Equity Strategy	829	100.0%	1.6%	5.0%
GQG Global Equity Fund	784	99.4%	9.3%	2.2%
Longview Global Equity Fund	475	96.2%	5.9%	0.0%
Arrowstreet Global Developed Equity Fund	6,351	96.5%	8.8%	0.8%

AIL Emerging Markets Equity Fund

Voting Statistics for the year ending 31st December 2021

	Number of resolutions eligible to vote on over the period	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted, % that were voted against management	Of the resolutions on which the fund voted, % that were abstained from
Oaktree Emerging Markets Equity Fund	1,183	100.0%	9.2%	2.5%
Coronation Global Emerging Markets Fund	900	100.0%	12.4%	0.4%
GQG Emerging Markets Fund	805	100.0%	7.8%	4.1%
TT International Emerging Markets Unconstrained Strategy	936	97.9%	8.1%	5.7%

Third party providers of proxy voting services for the year ending 31st December 2021

	Proxy voting service providers
Sands Global Growth Fund	ISS, Glass Lewis, and SES (for India Holdings) standard voting policy.
Harris Global All Cap Equity Strategy	ISS
GQG Global Equity Fund	ISS
Arrowstreet Global Developed Equity Fund	ISS
Longview Global Equity Fund	Glass Lewis
Neuberger Berman Emerging Markets	Glass Lewis
Oaktree Emerging Markets Equity Fund	ProxyEdge
Coronation Global Emerging Markets Fund	ISS
GQG Emerging Markets Fund	ISS