

# Implementation Statement for the year ended 31<sup>st</sup> December 2022

Dated: March 2023

## 1. Purpose of the Implementation Statement (or Introduction)

This document is the Annual Implementation Statement (**Statement**) prepared by the Trustees of the Global Marine System Pension Plan (**the Plan**) covering the Scheme year (**the Reporting Year**) to 31<sup>st</sup> December 2022. The purpose of the Statement is to:

- a) Detail any review of the Statement of Investment Principles (**SIP**) that the Trustees have undertaken, and any changes made to the SIP over the year as a result of the review.
- b) Set out the extent to which, in the opinion of the Trustees, the Scheme's SIP has been followed during the Reporting year.
- c) Describe the engagement and voting behavior on behalf of the Trustees over the year, including the most significant votes cast on behalf of the Trustees during the Reporting year.

The Plan makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

**Approved and signed by the Trustee in conjunction with the Trustee Report and Accounts on 27 July 2023.**

## 2. Review and changes to the SIP

The SIP was reviewed and updated during October 2022 and was signed by the Trustee on 26 October 2022. The update to the SIP was made following the transition of the scheme from its previous investment arrangements with AON to the new fiduciary management arrangement with Columbia Threadneedle Investments.

## 3. Adherence to the SIP

The Trustees believe that the policies outlined in the SIP have been followed during the Reporting year and the justification for this is set out in the remainder of this section.

- a) Objective and Investment Strategy

The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Plan's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

The overall objective which has been agreed with the Employer is to outperform the return of a portfolio of gilts and inflation linked gilts that match the interest rate and inflation sensitivity of the Client's Liability Benchmark (defined within the SIP) by +1.3% per annum net of fees, over a rolling 3-year period.

**b) Changes in policy in Reporting Year**

The governance of the Plan is well documented in the SIP and includes the division of responsibilities between the Trustees and the Fiduciary Manager. During the Reporting Year the Plan moved from fiduciary management with Aon to a fiduciary management arrangement with CTI and the Scheme's investment strategy was updated across Q3 2022, resulting in a change in underlying investment managers. The Scheme's policies regarding responsible investment and stewardship (Corporate Governance) remained materially unchanged except in the following ways:

- Following the appointment of the fiduciary manager, the Plan continues to invest entirely in pooled funds and, as such, delegates responsibility for carrying out voting and engagement activities to the Plan's fund managers. However, the fiduciary manager selects underlying fund managers and reviews the stewardship and engagement activities of the underlying managers at appointment and on an ongoing basis. The Plan reviewed the fiduciary manager's capabilities in manager selection and Responsible Investment and Stewardship upon appointment in the Reporting Year. Each year the Trustees will also receive and review voting and engagement information from the sub-investment managers (via the fiduciary manager), which they will review to ensure alignment with their own policies and use to prepare the Plan's Implementation Statement.

**c) Policy on Responsible Investment and Stewardship**

The Plan's Statement of Investment Principles ("SIP") includes the policy of the Trustees in respect of responsible investment and stewardship. The Trustees developed this policy in conjunction with their investment advisers.

**Current Policy as presented in the SIP at the end of the Reporting Year.**

**Environmental, Social, and Governance ("ESG") considerations**

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Plan's investments. The Trustees consider these risks by taking advice from its investment adviser.

As part of the management of the Plan's assets, the Trustees expect the Fiduciary Manager to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- Use its influence to engage with underlying managers to ensure the Plan's assets are not exposed to undue risk; and
- Report to the Trustees on its ESG activities as required.

### **Stewardship – Voting and Engagement**

- The Trustees recognise the importance of their 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 Trustees annually review the stewardship activity of the underlying managers selected by the Fiduciary Manager to ensure the Plan's stewardship policy is being appropriately implemented in practice. The Trustees receive annual reports on stewardship activity carried out on the underlying managers. These reports include detailed voting and engagement information from underlying asset managers.

As part of the management of the Plan's assets, the Trustees expect 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 Trustees on stewardship activity by underlying managers as required.

The Trustees will engage with the Fiduciary Manager as necessary for more information, to ensure that robust active ownership behaviors, reflective of their active ownership policies, are being actioned.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan.

The Trustees 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 Trustees will consider, on a case-by-case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Plan.

### **Members' Views and Non-Financial Factors**

In setting and implementing the Plan's investment strategy the Trustees do not explicitly take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"<sup>[1]</sup>).

<sup>[1]</sup> The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

## **4. Voting Data**

### **a) Structure of Equity Holdings and other voting rights**

The Plan invested entirely in pooled funds and, as such, delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers. The pooled fund structure means that there is limited scope for the Trustee to influence managers' voting and engagement behaviour.

### **b) How voting and engagement policies have been followed in the Reporting Year**

Overall, the Trustees reviewed the stewardship of the managers held during the Reporting Year alongside preparation of the Statement and were satisfied that their policies were reasonable and in line with the Scheme's policies. Therefore, no remedial action was required during the Reporting Year.

- Prior to the fiduciary manager appointment of CTI in November 2021
  - Aon as the fiduciary manager, reviewed the stewardship and engagement policy and activities of the underlying managers at appointment with support from their investment advisor. However, no new managers were added in the Reporting Year prior to appointment of the fiduciary manager
  - Please note that the Trustees have not been supplied with the voting and engagement data for the assets held prior to the implementation of the new investment strategy with Columbia Threadneedle Investments as the Fiduciary Manager in Q3 2022. The Plan was put on a "Care and Maintenance" agreement with Aon, effective 13<sup>th</sup> December 2021.

- Following the appointment of the fiduciary manager
  - The Trustee reviewed the voting and engagement activities of the underlying managers appointed by the fiduciary manager in the Reporting Year, following the year end, alongside preparation of the Implementation Statement. The fiduciary manager has responsibility to review the stewardship and engagement policies of a manager upon appointment and on an ongoing basis. Having reviewed the manager information provided by the fiduciary manager in accordance with their policies, the Trustee is comfortable the actions of the fund managers are in alignment with the Plan's stewardship policies in the Reporting Year.

A consequence of being placed on the "Care and Maintenance" agreement with Aon, effective 13th December 2021, voting and engagement data was not made available for part of 2022 (when plan assets were still in the Aon investment Strategy). The new strategy under the fiduciary arrangement was implemented in Q3 2022. However, voting and engagement data provided by underlying fund managers is either provided annually or quarterly. Consequently, some reporting periods do not precisely match the time the Plan was invested in the assets.

Voting activity is typically reported by managers in quarterly periods and the Trustees have considered data from 30 June 2022 to 31 December 2022 as representative of the Reporting Year.

Engagement data is produced quarterly or for bespoke periods by some managers, but for others is only produced annually. However, the fiduciary manager reviewed all managers historical voting and engagement activities ahead of appointment and on an ongoing basis.

### **c) Relevant Investments in Reporting Year**

Investment funds within which voting activities were undertaken are listed below.

- Acadian Global Managed Volatility Fund
- Acadian Multi Asset Absolute Return Fund
- State Street Global ESG Screen Defensive Equity
- State Street World Equity Index Fund

There are no voting rights attached to other assets held by the Scheme in the Reporting year

**Voting Undertaken**

<b>Manager</b>	Acadian	Acadian	State Street	State Street
<b>Fund Name</b>	Acadian Global Managed Volatility Fund	Acadian Multi Asset Absolute Return Fund	State Street Global ESG Screen Defensive Equity	State Street World Equity Index
<b>Structure</b>	Pooled Fund	Pooled Fund	Pooled Fund	Pooled Fund
<b>Ability to influence votes</b>	Limited scope to influence	Limited scope to influence	Limited scope to influence	Limited scope to influence
<b>No. of meetings eligible to vote at</b>	105	25	107	1544
<b>No. of resolutions eligible to vote on</b>	862	146	1574	21730
<b>% of resolutions voted on</b>	97%	88%	100%	99%
<b>% voted with management</b>	82%	77%	93%	91%
<b>% voted against management</b>	16%	8%	7%	9%
<b>% abstain</b>	0%	1%	1%	1%
<b>Were proxy advisory services used</b>	Yes	Yes	Yes	Yes
<b>Time period covered in the above data</b>	30/06/22 to 31/12/22	30/06/22 to 31/12/22	31/12/21 to 31/12/22	31/12/21 to 31/12/22

### **Nature and extent of proxy advisory services where used**

**SSGA** use a variety of third-party service providers (Examples include ISS and Glass Lewis) to support their stewardship activities. Data and analysis from service providers are used as inputs to help inform their position and assist with prioritization. However, all voting decisions and engagement activities are undertaken in accordance with SSGA's in-house policies and views.

**Acadian** use an external service provider (Glass Lewis) as their proxy administrator. They are responsible for applying custom Guidelines when executing proxy votes. In cases where the Guidelines specify case-by-case review by committee, or for any proposal not specifically addressed in the guidelines, internal Proxy Analysts will review available information (including certain research provided by their proxy administrator and provide a recommendation to the Proxy Voting committee. The committee will then vote on the proposal(s) in question and communicate a decision for their proxy administrator to execute.

### **Significant Votes**

The table on the following page provides examples of how each manager invested in a significant vote. Each underlying manager is responsible for their own definition of a significant vote.

	<b>Acadian Global Managed Volatility Fund</b>	<b>Acadian Multi Asset Absolute Return Fund</b>	<b>State Street Global ESG Screen Defensive Equity</b>	<b>State Street World Equity Index</b>
<b>Company name</b>	Check Point Software Technologies	Meridian Energy Limited	General Mills	Goodman Group
<b>Date of vote</b>	30-Aug-22	18-Oct-22	27-Oct-22	17-Nov-22
<b>Approx. size of fund holding as % of fund</b>	1.02%	Unavailable	1.32%	0.04%
<b>Summary of resolution</b>	Elect Tzipi Ozer-Armon	Re-elect Julia C. Hoare	Community -Environment Impact	Advisory Vote to Ratify Named Executive Officers' Compensation
<b>How manager voted</b>	Against, Against Management	Against	For	For
<b>Where voted against, was this communicated to management ahead of vote?</b>	No	No	No	No
<b>Rationale for vote</b>	Section II.A. We generally withhold votes from directors who serve on the boards of more than three publicly traded companies	Section II.A. We generally withhold votes from directors who serve on the boards of more than three publicly traded companies.	This proposal merits support as the company's environmental disclosure and/or practices can be improved.	This proposal merits qualified support as SSGA has some concerns with the remuneration structure for senior executives at the company.
<b>Outcome of vote</b>	Rejected	Outcome unavailable	Passed	Passed
<b>Implications of vote</b>	We voted against the election of this director, along with ~13% of the vote, according to our guidelines. Our guidelines functioned as intended and the rationale was sound.	Our guidelines functioned as intended and the rationale was sound.	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.
<b>Why is this a 'Significant Vote'</b>	Top Holding, Vote Against Management	Vote Against Management	SH - Environmental Proposal	Compensation proposal



## **Engagement Undertaken**

### Engagement Activity – Equity

Manager	Acadian
Fund(s)	Multi Asset Absolute Return, Global Managed Volatility
Does the manager perform engagement with companies they have invested in and/or relevant counterparties?	Yes
Number of engagements undertaken on holdings in the fund during reporting period?	Data has not yet been provided by the underlying manager
Categorisation of engagements undertaken on the fund holdings during the reporting period.	Data has not yet been provided by the underlying manager
Number of engagements undertaken at a firm level during reporting period	Data has not yet been provided by the underlying manager
Categorisation of engagements undertaken at a firm level during the reporting period.	Data has not yet been provided by the underlying manager
Example of an engagement undertaken during the reporting period.	Data has not yet been provided by the underlying manager
Where no fund or firm level data provided (please populate below entries)	
Proportion of client assets	4%
Period in reporting year (months)	0-6 months

Manager	StateStreet
Fund(s)	World Equity Index, Screen Defensive Equity
Does the manager perform engagement with companies they have invested in and/or relevant counterparties?	Yes
Number of engagements undertaken on holdings in the fund during reporting period?	N/A
Categorisation of engagements undertaken on the fund holdings during the reporting period.	N/A
Number of engagements undertaken at a firm level during reporting period	128 (only Q3, Q4 not yet published)
Categorisation of engagements undertaken at a firm level during the reporting period.	40% environmental, 27% social, 33% governance.
Example of an engagement undertaken during the reporting period.	We engaged with ConocoPhillips in Q2 2021 ahead of its AGM on the company's approach to managing GHG emissions, including Scope 3 and methane emissions. We discussed opportunities to enhance methane data quality and measurement-based reporting including joining the Oil and Gas Methane Partnership (OGMP) 2.0, a multi-stakeholder initiative launched by UNEP and the Climate and Clean Air Coalition. OGMP 2.0 provides a comprehensive reporting framework to improve the transparency and quality of methane emissions disclosure in the oil and gas industry. In Q3 2022, we conducted a second engagement with the company to discuss its methane detection, monitoring and reduction efforts in further detail.
Where no fund or firm level data provided (please populate below entries)	
Proportion of client assets	4%
Period in reporting year (months)	0-6 months

Manager	Leadenhall
Fund(s)	Cat Bond Fund
Does the manager perform engagement with companies they have invested in and/or relevant counterparties?	Yes
Number of engagements undertaken on holdings in the fund during reporting period?	309
Categorisation of engagements undertaken on the fund holdings during the reporting period.	Governance is considered in all (100% of) fund engagements. The pricing of meteorological and climate risks are considered in all in non-life ILS transactions (100%). 99% of the assets in the Leadenhall UCITS ILS Fund as at 31 Dec 2022 were also considered to support social resilience by narrowing the insurance protection gap and providing insurance-linked protection.
Number of engagements undertaken at a firm level during reporting period	321
Categorisation of engagements undertaken at a firm level during the reporting period.	Governance is considered in all (100% of) firm engagements. The pricing of meteorological and climate risks are considered in all in non-life ILS transactions (96% of firm transactions).
Example of an engagement undertaken during the reporting period.	Syndicate 1910 had two main issues which were engaged on. First, they showed a pattern of poor handling of collateral, significantly delaying releases, and asserting they would provide commutation offers for historical contracts which never came. Second, they repeatedly underperformed in major events in comparison to their peers and in an incongruous manner with the data provided. We stopped supporting the counterparty once it became clear that we would not be able to leverage continued participation to secure collateral releases. We will re-engage with the client when historical collateral issues have been remediated, and then only when they display a material improvement in relative performance.
Where no fund or firm level data provided (please populate below entries)	
Proportion of client assets	4%
Period in reporting year (months)	0-6 months

Manager	Twelve Capital
Fund(s)	Cat Bond Fund
Does the manager perform engagement with companies they have invested in and/or relevant counterparties?	Yes
Number of engagements undertaken on holdings in the fund during reporting period?	60
Categorisation of engagements undertaken on the fund holdings during the reporting period.	No provided
Number of engagements undertaken at a firm level during reporting period	268
Categorisation of engagements undertaken at a firm level during the reporting period.	No provided
Example of an engagement undertaken during the reporting period.	A common example of an ESG engagement for a catastrophe bond would be as part of Twelve Capital's due diligence calls. As standard practice Twelve Capital's analysts have a one-to-one call with most catastrophe bond sponsors on launch, to ask them questions as part of the investment process. The analysts have now a specific set of ESG questions and discussion points. The analysts will ask them about their ESG/Sustainability policy, with particular reference to how to impact their underwriting, as this is where the biggest difference an insurance company can make.
Where no fund or firm level data provided (please populate below entries)	
Proportion of client assets	1%
Period in reporting year (months)	0-6 months

Manager	Vontobel
Fund(s)	Twenty Four Absolute Return Credit
Does the manager perform engagement with companies they have invested in and/or relevant counterparties?	Yes
Number of engagements undertaken on holdings in the fund during reporting period?	87
Categorisation of engagements undertaken on the fund holdings during the reporting period.	42 environmental, 4 social, 15 governance, 42 borrow meetings
Number of engagements undertaken at a firm level during reporting period	448
Categorisation of engagements undertaken at a firm level during the reporting period.	Environmental = 111, Social = 60, Governance = 49, Borrower meeting = 222, Corporate Action = 6.
Example of an engagement undertaken during the reporting period.	We reached out to the multinational miner, BHP regarding the collapse of the Fundão tailings dam in Brazil in 2015 and their lack of action since. In their response only 96 of the 553 households displaced have been rebuilt and all 42 of the programs identified by the Renova Foundation are behind schedule. They provided insufficient detail on mitigation of future incidents nor actions taken to clean up and compensate for the disaster. Lack of action since the disaster highlights intrinsic social and governance concerns despite a strong raw ESG score. Outcome was to not invest
Where no fund or firm level data provided (please populate below entries)	
Proportion of client assets	4%
Period in reporting year (months)	0-6 months

Manager	PGIM
Fund(s)	Global High Yield Bond Fund
Does the manager perform engagement with companies they have invested in and/or relevant counterparties?	Yes
Number of engagements undertaken on holdings in the fund during reporting period?	3
Categorisation of engagements undertaken on the fund holdings during the reporting period.	2 environmental, 1 social and governance
Number of engagements undertaken at a firm level during reporting period	143
Categorisation of engagements undertaken at a firm level during the reporting period.	Not provided
Example of an engagement undertaken during the reporting period.	We had a call with Apollo's private equity ESG team to discussing Apollo's perspective on ESG policy as it pertains to its portfolio companies, with particular focus on Cox Media Group (CMG, in which Apollo has ~70% stake). In particular, we wanted to inquire as to why we have not seen a formal set of ESG policies disclosed anywhere on the CMG website or in investor filings. We note that several public broadcast peers (Nexstar, TEGNA, Sinclair) have made recent attempts at conveying the progress they have been making on the ESG front, in some form or fashion. We wanted to determine whether Apollo/CMG are in the process of doing something similar and are planning to communicate a formal ESG update to investors in the near future.
Where no fund or firm level data provided (please populate below entries)	
Proportion of client assets	2%
Period in reporting year (months)	0-6 months

Manager	Wellington
Fund(s)	Global High Yield Bond Fund
Does the manager perform engagement with companies they have invested in and/or relevant counterparties?	Yes
Number of engagements undertaken on holdings in the fund during reporting period?	187
Categorisation of engagements undertaken on the fund holdings during the reporting period.	4% environmental, 18% social, 78% governance.
Number of engagements undertaken at a firm level during reporting period	Not provided
Categorisation of engagements undertaken at a firm level during the reporting period.	Not provided
Example of an engagement undertaken during the reporting period.	Not provided
Where no fund or firm level data provided (please populate below entries)	
Proportion of client assets	4%
Period in reporting year (months)	0-6 months

Manager	Columbia Threadneedle
Fund(s)	Absolute Return Bond Fund, Global Low Duration Credit Fund, LDI Funds, Sterling Liquidity Fund
Does the manager perform engagement with companies they have invested in and/or relevant counterparties?	Yes
Number of engagements undertaken on holdings in the fund during reporting period?	58 Global Low Duration Credit, 55 Absolute Return Bond Fund, 7 LDI
Categorisation of engagements undertaken on the fund holdings during the reporting period.	GLDC = 83% Climate change, 17% environmental standards, LDI = 100% climate change.
Number of engagements undertaken at a firm level during reporting period	918
Categorisation of engagements undertaken at a firm level during the reporting period.	43% climate change 19% environmental stewardship, 0.5% business conduct, 5% human rights, 8.5% labour standards, 6% public health, 18.5% corporate governance.
Example of an engagement undertaken during the reporting period.	<b>GLDC Example:</b> Stellantis revealed its target to achieve carbon net zero by 2038 throughout its value chain, and to halve its carbon intensity by 2030. This was supported by several other plans, including for 100% of sales in Europe and 50% of sales in the USA to be battery electric vehicles by 2030. The level of ambition of these plans compares well to peers, but further details are needed on the substance of Stellantis' strategy.
Where no fund or firm level data provided (please populate below entries)	
Proportion of client assets	66%
Period in reporting year (months)	0-6 months