

# The Merchant Navy Officers Pension Fund Implementation Statement – 31 March 2025



## Why have we produced this Statement?

The Annual Implementation Statement is prepared by the Trustee of the Merchant Navy Officers Pension Fund ("the Fund") covering the fund year ("the year") to 31 March 2025.

The purpose of this statement is to:

1. Set out how, and the extent to which, in the opinion of the Trustee, the Fund's engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year.
2. Describe the voting behaviour by, or on behalf of the Trustees, including the most significant votes cast during the year and state any use of services of a proxy voter during that year.

This statement sets out how the Trustee has complied with the voting and engagement policies detailed in the Fund's Statement of Investment Principles ("SIP").

A copy of this Implementation Statement has been made available on the following website:  
[https://www.mnopf.co.uk/publications\\_reports](https://www.mnopf.co.uk/publications_reports)

## What is the SIP?

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

It also explains how and why the Trustee delegates certain responsibilities to third parties and the risks the Fund faces and the mitigated responses.

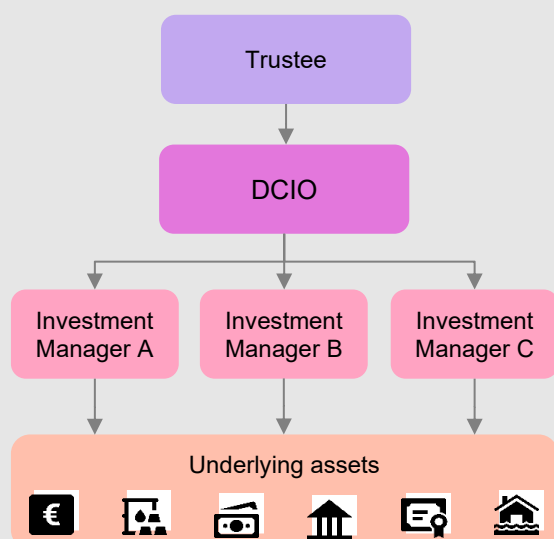
The Trustee last reviewed the SIP in January 2025 and is reviewed on an annual basis.

## What changes have we made to the SIP?

The Trustee have made the following changes to the appendices in the SIP over the year:

- Updated to reflect the Trustee's refined strategic objectives, including a target funding level of 104–106% by 2029/2030. The Trustee is also considering in due course, if it is appropriate to replace the 'employer + insurer covenant' with the covenant provided by the insurers and the protection provided by the Financial Services Compensation Scheme.
- Updated the DCIO's target allocations across the full range of invested asset classes.

## How are the Fund's investments managed?



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

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

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

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

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

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

The Trustee has appointed a DCIO who shares this view and has embedded the consideration of ESG factors, voting and engagement in its processes.

The Trustee incorporates an assessment of the DCIO's performance in this area as part of its overall assessment of the DCIO's performance.

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

When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations but has identified climate and human and labour rights as key areas of focus for the Trustee. Human capital was added as a new area of focus effective from March 2025. Reporting against this stewardship priority will be included in next year's statement.

The day-to-day integration of ESG considerations, voting and engagement are

delegated to the investment managers. The Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital.

Where ESG factors are considered to be particularly influential to outcomes, the Trustee expects the DCIO to engage with investment managers to improve their processes.

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

To ensure the Trustee is kept up to date with best practice in ESG considerations, voting and engagement, the Trustee received the Fund's annual Sustainable Investment Review, which covers:

- The DCIO's approach to Sustainable Investment.
- Reporting on the sustainability credentials of the Scheme's investment portfolio (including climate change metrics).
- An assessment of the ESG integration and engagement of the Scheme's investment managers.

In addition, in February 2025, the Trustee received a training session from the DCIO in partnership with EOS at Federated Hermes on Sustainable Investment.

## What are the DCIO's policies?

### Climate change and net zero pledge

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

The DCIO has a goal to achieve net zero greenhouse gas emissions across 'In Scope Solutions' by 2050. They believe the trajectory is important, so are also aiming to approximately halve emissions per amount invested by 2030.

### Public policy and corporate engagement

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

Some highlights from 2024 include:

1. 994 companies engaged across regions on 4,267 issues and objectives.
2. 62 companies in their core programme featured engagements with the CEO or chair.
3. Making voting recommendations on 143,075 resolutions at 14,701 meetings, including recommended votes against 25,070 resolutions.
4. Participation in a range of global stewardship initiatives.

### Industry collaboration initiatives

The DCIO participated in a range of industry initiatives over the year to seek to exercise good stewardship practices. Please refer to their latest UK Stewardship Code for more information: <https://www.wtwco.com/en-gb/solutions/services/sustainable-investment>.

## How does the DCIO assess the investment managers?

**Investment manager appointment** - The DCIO considers the investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) at the appointment of a new manager. Over the period, the DCIO conducted engagements with over 70 managers across asset classes. They also engaged over 100 products on sustainability and stewardship. In addition, over 150 sustainability-theme strategies were researched.

**Investment manager monitoring** - The DCIO produces detailed reports on the investment managers' ESG integration and stewardship

capabilities on an annual basis. These reports form part of the Trustee's portfolio monitoring. We have provided the DCIO's ratings of the equity managers' ESG integration and stewardship capabilities in the later pages where appropriate.

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

## Example of engagement carried out over the year

### Japanese Equity Manager Environment - Climate issue

**Issue:** There has been good evidence of improvement from the manager over the year on key components previously engaged with. However, the focus of the engagement was on key outstanding issues, namely around impact, broader governance, and voting, where the strategy has returned neutral scores. Addressing these issues will be crucial for further progress and ensuring the effectiveness of the manager's overall strategy.

**Outcome:** The manager has made significant progress in several areas, including Task Force on Climate-Related Financial Disclosures (TCFD) alignment, where they now report in line with the TCFD framework and provide climate-related metrics at the fund level. They have further developed their sustainability policy, planning to track carbon reduction objectives from 2025 and improving coverage across most strategies. In terms of voting, the manager has implemented a new process to track every vote and its rationale, along with a new voting policy. Additionally, they have developed a firm-wide ESG data tool for immediate access to ESG/Sustainable Investment research for analysts. However, the manager still faces challenges in implementing a modern slavery policy and impact measurements due to difficulties in obtaining disclosures in the Japanese market. They are working to track progress in this area, and it will be closely monitored. Engagement on the Governance/Stewardship policy review process has also taken place, with a preference for annual reviews. A follow-up meeting is scheduled to review the strategy and check progress on these points.

### Real Estate Debt Manager Environment - Climate issue

**Issue:** The engagement with the manager on climate emissions reporting revealed that, due to the nature of short-term bridge lending, borrowers generally do not provide carbon emission data. This presents a challenge in accurately assessing and reporting climate emissions for these loans. Addressing this gap will be crucial for improving transparency and aligning with broader sustainability goals.

**Outcome:** There has been ongoing engagement with the manager regarding carbon emission reporting for bridge lending, where over 50% of assets are in land with planning. Due to the nature of these assets, data availability on carbon emissions is very poor. Continuous engagements have taken place with the manager, including the Project Manager, Environment, Social, and Governance lead, and Chief Investment Operations, to determine the best approach for carbon emission reporting. Recent Partnership for Carbon Accounting Financials (PCAF) guidance on real estate debt has also been shared. The manager is currently in the process of estimating the emissions of the assets and will provide this information in the next quarter. This is currently an ongoing engagement with the manager and will continue to work on climate reporting.

### Emerging Markets Growth Equity Manager Environment – Climate issue

**Issue:** Discussion on progress of climate engagements since the last discussion and to review the approach and process in this area.

**Outcome:** The ESG reports now feature a dedicated climate change section and a more standardized format. Each analyst is required to rank climate risks and opportunities as low, medium, or high. The current focus is on businesses that are not aligned, lack disclosure, or do not have targets. There has not been much depth in engagements with aligned and aligning companies.

The manager has a thematic focus on climate, alongside modern slavery and digital ethics. Where appropriate, they are also beginning to have conversations with companies about physical risks, such as water scarcity.

The Fiduciary Manager has engaged with the manager to encourage them to support companies where they see progress in relation to ESG. The manager expects to engage more through voting going forwards, particularly where they have less engagement impact or influence.

### What are the voting statistics we provide?

The Fund is invested across a diverse range of asset classes which carry different ownership rights, for example bonds do not have voting rights attached. Therefore, voting information was only requested from the Fund's equity investment managers.

The managers' voting activity is provided in Appendix 1. The Trustee identified key ESG risks for the Fund, and therefore the following criteria have been used to determine the most significant votes, where at least one needs to apply:

- Aligned to stewardship priorities for the Fund of climate change and/or human and labour rights.
- Financial outcome for members, including size of holding.
- High profile vote, including not supporting company management.

The Trustee has decided not to publicly disclose active investment manager names as the Trustee believes this could impact the investment manager's ability to generate the best investment outcome.

The Trustee has also included the DCIO's assessment of the investment manager's ESG integration and stewardship (including voting and engagement) capabilities where appropriate. The Trustee has identified the most significant votes to provide representation of the different types of manager/mandates in place.

### In conclusion...

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

## Appendix 1 – Manager Voting

### Global Listed Infrastructure

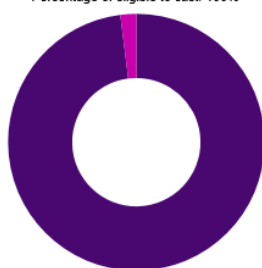
#### Voting activity over the year



**Fiduciary Manager's assessment**

#### Voting activity over the year

Number of votes eligible to cast: 314  
Percentage of eligible to cast: 100%



■ For: (98%) ■ Against: (2%)

#### Significant vote

**Company:** United Utilities Group Plc

**% Fund:** 7.4%

**Vote Topic:** Authorise UK Political Donations and Expenditure

**Issue:** The manager has historically voted against this type of motion but has reevaluated its position. The company has confirmed it does not make nor intend to make, donations to political parties. However, the definition of political expenditures is very broad and includes expenses incurred as part of the process of having dialogue and undertaking industry group meetings. The manager was content with the undertakings the company gave and felt that it was in the best interests of shareholders for the company to participate in public debate and opinion-forming on matters which affect its business.

**Voting instruction:** For management

**Vote outcome:** Passed the resolution

**Why a significant vote?** Large holding in the portfolio; evolution of voting approach.  
**Next steps:** None at this stage.

#### Significant vote

**Company:** SNAM S.P.A.

**% Fund:** 4.3%

**Vote topic:** Rewarding policy and emolument paid report 2024 – first section (binding resolution)

**Issue:** They vote against the remuneration-related items due to a continued lack of action or acknowledgment. Although Snam's scenarios have improved, they remain misaligned. Despite reasonable structure in the remuneration policy, especially its emphasis on climate transition and sustainability they will vote against both resolutions, consistent with last year's stance.

**Voting instruction:** Against management

**Prior communication of against vote:** No

**Outcome:** Passed the resolution

**Why a significant vote?** Voting against management, climate scenarios are still not aligned but in a better position than before.

**Next steps:** They have an open engagement with Snam

**Voting policy:** When proxy voting is to occur, the investment team sector lead provides voting recommendations which are then tabled at the ATLAS Investment Committee (IC) for review and approval. Recommendations are made having regard to the various environmental, social, and governance factors of each of the resolutions to be voted on. Voting instruction are submitted via ProxyEdge. The proxy vote recommendations submitted to IC contain a summary of all ESG risks and key issues identified for that company including, where relevant, recommendations for voting on specific issues.

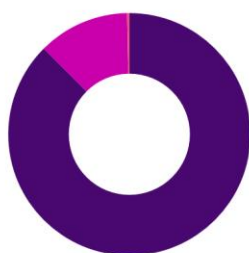
**Use of proxy voter:** The manager does not use a proxy voting service provider.

### Towers Watson Investment Management - Global Equity Focus Fund

#### Voting activity over the year

#### Voting activity over the year

Number of votes eligible to cast: 3,181  
Percentage of eligible to cast: 99.3%



■ For: (87.5%) ■ Against: (12.2%) ■ Abstain: (0.3%)

#### Significant vote

**Company:** Amazon

**% of Manager's Fund:** 3.21%

**Vote topic:** Commission a Third Party Audit on Working Conditions

**Issue:** The Manager voted "FOR" in support of additional disclosure related to how META measures & tracks metrics impacting child safety and harm reduction on its platforms. Greater transparency would serve to help shareholders (and general society) better understand how the company is managing these risks.

**Voting instruction:** For shareholder proposal, against management

**Prior communication of against vote:** No

**Outcome:** Failed the resolution

**Why a significant vote?** Human and labour rights is one of the stewardship priorities. It is also a vote against management.

**Next steps:** The manager will share these best practices with other portfolio companies.

#### Significant vote

**Company:** Berkshire Hathaway

**% of Manager's Fund:** 0.9%

**Vote topic:** Report on efforts to measure, disclose and reduce greenhouse gasses emissions associated with underwriting, insuring, and investing

**Issue:** The manager voted in favor of climate risk disclosure, prioritizing leadership on the issue despite minor compliance costs. Given the company's 90% emissions disclosure and strong ethical reputation, the manager deemed waiting for SEC guidance an inadequate delay.

**Voting instruction:** For shareholder proposal, against management

**Prior communication of against vote:** No

**Outcome:** Failed the resolution

**Why a significant vote?** Climate change is one of the stewardship priorities.

**Next steps:** The manager expressed disappointment in the voting outcome and urged the CEO to prioritize climate risk transparency, advocating for proactive leadership rather than waiting for policy guidance.

**Voting policy:** As the manager manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. The manager expects all of the Fund's underlying managers who hold equities over a reasonable timeframe to vote all shares they hold.

**Use of proxy voter:** The manager has appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all of their clients. In addition, EOS is expanding the remit of engagement activity they perform on the manager's behalf beyond public equity markets, which will enhance stewardship practices over time.

# Global Property Securities Manager

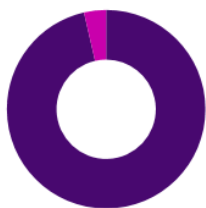
## Voting activity over the year



Fiduciary  
Manager's  
assessment

### Voting activity over the year

Number of votes eligible to cast: 641  
Percentage of eligible to cast: 100%



■ For: (96.4%) ■ Against: (3.6%)

### Significant vote

Company: Ventas

% of Manager's Fund: 3.7%

Vote topic: Advisory Vote to Ratify Named Executive Officers' Compensation

Issue: The manager voted against this resolution for a number of reasons, including their view of the CFO's performance related to a poorly positioned balance sheet; limited disclosure of the performance thresholds for certain performance metrics; and unambitious targets related to relative total shareholder return (TSR) in the Long-Term Incentive.

Voting instruction: Against Management

Outcome: Passed the resolution

Prior communication of against vote: Yes

Why a significant vote? Large holding in the portfolio; vote against management

Next steps: The manager communicated its views with the company including why it voted against this compensation resolution. The manager is in regular discussions with the company's management to ensure they are aware of its views.

### Significant vote

Company: Boston Properties

% of Manager's Fund: 0.7%

Vote topic: Advisory vote to ratify named executive officers' compensation

Issue: The resolution was opposed due to concerns over weak performance hurdles in both the Short-Term Incentive (STI) and Long-Term Incentive (LTI) plans, particularly the high weighting of non-financial goals and low financial performance targets. The LTI metrics, while aligned with shareholder interests, were set at levels significantly below peer medians, allowing payouts even with poor relative performance. Although the resolution passed with 60% support, the narrow margin indicates notable shareholder dissatisfaction.

Voting instruction: Against management

Prior communication of against vote: Yes

Outcome: Passed the resolution

Why a significant vote? Vote against management

Next steps: The manager has shared their views and is regularly discussing with the company the reasons behind their vote against the compensation resolution.

**Voting policy:** The manager will review each resolution individually to arrive at a voting recommendation. The following key principles will be adhered to in making a recommendation: resolutions should treat shareholders equally; any material conflicts of interest must be appropriately addressed; resolutions should be clearly and individually stated, as composite resolutions are not optimal.

The manager will not abstain from any resolution unless it is in the client's best interest to abstain, the manager has received direct instruction from the client to abstain, regulations in the issuing company's country of domicile prevent lodging an against vote, or there is insufficient information to make an informed decision.

When voting against a resolution, the manager will endeavor to inform the company in advance. If this is not possible, the company will be advised as soon as practicable.

**Use of proxy voting:** The manager does not use a proxy advisory service.

# Emerging Markets Growth Equity Manager

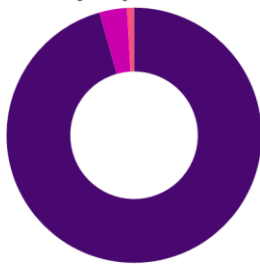
## Voting activity over the year



Fiduciary Manager's  
assessment

### Voting activity over the year

Number of votes eligible to cast: 547  
Percentage of eligible to cast: 100%



■ For: (95.6%) ■ Against: (3.5%) ■ Abstain: (0.9%)

### Significant vote

Company: Hangzhou Tigermed Consulting Co., Ltd.

% of Manager's Fund: 0.8%

Vote topic: Amend Articles of Association

Issue: A vote against the proposed amendments to the Articles is warranted given the proposed amendments would include the removal of the class meeting requirement which would reduce the safeguards available to shareholders and would limit the ability of a particular class of shareholders to reject proposals that could result to unfavorable outcomes for minority shareholders.

Voting instruction: Against management

Prior communication of against vote: No

Outcome: Passed the resolution

Why a significant vote? A vote against management

Next steps: None to report

### Significant vote

Company: Dino Polska SA

% of Manager's Fund: 1.9%

Vote topic: Approve remuneration policy

Issue: Institutional Shareholder Services recommends voting against Dino Polska SA's proposed remuneration report due to the lack of disclosed key performance indicators (KPIs) for senior managers. The company is centrally controlled by Mr. Biernacki, who owns more than 50% and serves as founder, CEO, and chairman. Increased visibility into management KPIs would be a positive governance step for minority shareholders.

Voting instruction: Against management

Prior communication of against vote: No

Outcome: Passed the resolution

Why a significant vote? A vote against management

Next steps: None to report

**Voting policy:** Decisions are made by members of the investment research team. The process is typically directed by the lead analyst on the business, who will often consult with other members of the research team and Stewardship Committee. The manager's evaluation of each meeting agenda typically considers company proxy documents, their own research on the business, recent discussions with management, and third-party analysis. While the manager does consider independent proxy advisers' guidance, they do not delegate their voting or rely on adviser's guidance in their voting decisions.

**Use of proxy voting:** The manager votes proxies themselves but considers the recommendations of proxy advisors such as ISS and Glass Lewis in their voting decisions.