

Princess Yachts Pension Scheme

Implementation Statement – 5 April 2025

Why have we produced this Statement?

The Trustees of the Princess Yachts Pension Scheme have prepared this statement to comply with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

This statement sets out how the Trustees have complied with the voting and engagement policies detailed in the Scheme's Statement of Investment Principles (SIP).

What is the Statement of Investment Principles (SIP)?

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

It also explains how and why the Trustees delegate certain responsibilities to third parties and the risks the Scheme faces and the mitigated responses.

The Trustees last reviewed the SIP in July 2023.

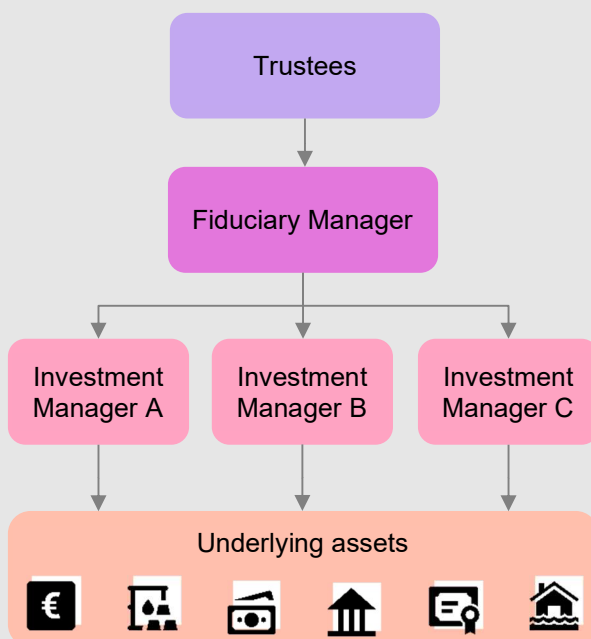
What is the purpose of this Statement?

1. To explain how the Trustees' engagement policy has been applied over the year.
2. To describe the voting rights attached the Scheme's assets have been exercised over the year.

What changes have we made to the SIP?

There were no changes to the SIP over the year.

How are the Scheme's investments managed?



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

Fiduciary Manager (WTW) – The Trustees employ a Fiduciary Manager to implement the Trustees' investment strategy. The Fiduciary Manager allocates the Scheme's assets between asset class and investment managers.

Investment managers – The Fiduciary Manager appoints underlying investment managers either using a pooled vehicle or a segregated mandate where these assets are held directly in the Scheme's name. The Fiduciary Manager 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 Trustees believe voting and engagement is important?

The Trustees' 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 Trustees further believe that voting and engagement are important tools to influence these issues.

The Trustees have appointed a Fiduciary Manager who shares this view and considers and integrates ESG factors, voting and engagement in its processes.

The Trustees incorporate an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

What are the Trustees' voting and engagement policy?

When considering its policy in relation to stewardship including engagement and voting, the Trustees expect investment managers to

address broad ESG considerations, but has identified climate change as a key area of focus for the Trustees.

The day-to-day integration of ESG considerations, voting and engagement are delegated to the investment managers. The Trustees expect 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 Trustees expect the Fiduciary Manager to engage with investment managers to improve their processes.

What have the Trustees received over the year?

To ensure the Trustees are kept up to date with best practice in ESG considerations, voting and engagement the Trustees received the following over the year:

- Training on how sustainable investment is central to successful outcomes and how ESG is been integrated with the TWIM Secure Income Fund

What are the Fiduciary Manager's policies?

Climate change and net zero goal

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

The Fiduciary Manager 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 Fiduciary Manager employs an external stewardship service provider, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustees).

Some highlights from 2024 include:

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

Industry initiatives

The Fiduciary Manager 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 Fiduciary Manager assess the investment managers?

Investment manager appointment - The Fiduciary Manager 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. In 2024 the Fiduciary manager 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 Fiduciary Manager produces detailed reports on the investment managers' ESG integration and stewardship capabilities on an annual basis.

Investment manager termination - The Fiduciary Manager engages with investment managers to improve their practices and increases the bar by which they are assessed as best practice evolves. The Fiduciary Manager 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

Listed Infrastructure manager Environment – Climate issue

Issue: The manager discussed the current Situational Analysis, Forecasting, and Engagement (SAFE) Transition Methodology to understand how it differs from Net Zero Investment Framework (NZIF). The Fiduciary Manager provided feedback on the Sustainable Investment report, noting the absence of a net zero target and assessing climate change risks relative to the benchmark.

Outcome: The manager walked through their SAFE transition framework, explained how they measure alignment and has recently released their Task Force on Climate-related Financial Disclosures aligned report at the corporate level. The manager aims to ensure robust emissions measurement before setting any targets and has enhanced their governance process in relation to this. Although there is no set timeline yet, this is a formal topic of discussion within the ESG working group and the broader firm.

The SAFE transition framework focuses on positioning the portfolio to manage investment risks and opportunities. The framework adapts principles from NZIF and emphasizes externally validated near-term emissions programs compatible with a 1.5-degree transition pathway. The Fiduciary Manager discussed several stock-specific examples where there are significant differences and will continue to monitor how the framework evolves over the next few years.

Core structured credit manager Environment – Climate issue

Issue: The manager has not yet produced asset-level climate reports for the Securitized Opportunities Fund, which is a minimum Sustainable Investment (SI) requirement. Engagements have been initiated with the manager to encourage the team to start producing these essential reports.

Outcome: Engagements have been conducted with both the investment team for the fund and the investor relations team, through in-person meetings, phone calls, and emails. Efforts have been made to encourage the investment team to consider proxied carbon emissions for underlying assets where actual carbon emission data is not readily available. Continuous engagement with the manager will focus on the production of initial climate reports for the fund. The next step involves taking the collected data and producing written reports.

Secure income manager General ESG issue

Issue: Engagements have been conducted with the manager to provide feedback on their environment, social, and governance (ESG) process and share information on the latest best market practices. This collaboration aims to enhance their sustainability efforts and ensure alignment with current industry standards.

Outcome: The manager has made progress in various ESG initiatives, including providing Scope 3 emissions data and making their Inclusion & Diversity (I&D) policy publicly available. While they do not report on climate risk explicitly, it is included as part of their Task Force on Climate-Related Financial Disclosures (TCFD) reporting process, and they utilize the Climonomics platform to integrate climate and transition risks into a single output. However, they are not aligned with Global Real Estate Sustainability Benchmark (GRESB) and have no plans to implement it, nor are they considering other benchmark providers. Additionally, a formal carbon reduction policy is not yet in place. The Fiduciary Manager will continue to monitor the manager's ESG practices and engage with them to ensure ongoing improvements.

What are the voting statistics we provide?

The Scheme 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 Scheme's equity investment managers.

Responses received are provided in the appendix. The Trustees used the following criteria to determine the most significant votes:

- Trustees' stewardship priority (climate change)
- Financial outcome for members, including size of holding
- High profile vote, including votes not supporting company management

The Scheme is invested in both active (trying to outperform the market) and passive (aiming to perform in line with the market) equity funds. The Trustees have decided not to publicly disclose active investment manager names as the Trustees believe this could impact the investment manager's ability to generate the best investment outcome.

In conclusion...

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

Appendix – Voting Statistics

Core Diversified Fund
Voting activity over the year

