



Merchant Navy Ratings Pension Fund
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MERCHANT NAVY RATINGS PENSION FUND

Statement of Commitment to the Stewardship Code

The Merchant Navy Ratings Pension Fund Limited ("MNRPF") was set up for the provision of defined benefits to British Merchant Navy Ratings and annuities to their dependants.

The Trustee of the MNRPF believes that good stewardship can enhance long-term corporate and investment performance and is therefore in the best interests of the MNRPF's beneficiaries. As such, the Trustee supports the principles of the UK Stewardship Code and encourages its principal agents to support the Stewardship Code.

The Trustee of the MNRPF encourages asset owners and asset managers to adhere to the letter and spirit of applicable best practice standards, such as the UK Stewardship Code.

The Stewardship Code sets out seven principles which are addressed by the Trustee as outlined below.

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

The Trustee has outlined their stewardship policy in MNRPF's Statement of Investment Principles, which is available to the MNRPF's beneficiaries and its principal agents, including investment managers and the general public via its website.

An extract is provided below:

- 9.1 The Trustee recognises the responsibilities of shareholders as owners of capital. Accordingly, the Trustee's objective as a shareholder is to achieve a substantial long-term return on the MNRPF's investments by the preservation and enhancement of shareholder value, which it believes good corporate governance promotes. Matters of corporate governance in general and voting in particular are integral parts of the delegation of duties to the Investment Managers. Voting power must be exercised by the Investment Managers with the objective of preserving and enhancing long-term shareholder value.
- 9.2 The Trustee supports the aims of the Stewardship Code, and its Investment Managers are invited to operate in accordance with the guidelines laid out in the Stewardship Code which covers matters of

both voting and engagement. The Investment Managers are required to report their adherence to the Stewardship Code using the comply or explain principle where appropriate.

- 9.3 The Trustee requires its Investment Managers to report on corporate governance, and particularly on their voting and engagement records. In general, Investment Managers are likely to choose to support and vote with incumbent company management, and therefore exception reporting is expected. Significant shareholder action other than voting should also be reported.

The MNRPF's commitment to the Stewardship Code is also available on the Financial Reporting Council's website.

Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

The Trustee has delegated the responsibility for the selection and retention of external investment managers and the subsequent realisation of investments to the Ratings Investment Committee.

The Ratings Investment Committee, through its Investment Advisor, actively engages with the managers of MNRPF about managing conflict of interest in relation to stewardship and expects the investment managers to adopt effective policies to address conflicts of interest in accordance with the Stewardship Code.

Principle 3 – Institutional investors should monitor their investee companies

The Trustee, through its Investment Advisor actively engages with and monitors the environmental, social and corporate governance practices in the investee companies on a regular basis and intervenes when required. However, the Trustee recognises that these standards are not universally applicable and therefore takes a pragmatic view of what constitutes best practice for each investee company considering their size, market position, geography, investment philosophy and style.

Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities

Responsibility for stewardship is delegated to MNRPF's investment managers and the Trustee encourages them to articulate when and how they will escalate their stewardship activities and report back on any activity undertaken.

Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate

The Trustee aims to keep abreast of industry best practice. The Trustee would only expect to be involved directly on collective engagement in exceptional circumstances.

The Trustee encourages the investment managers to consider collaborative engagement opportunities where it is in the best long-term interests of the beneficiaries. There may be circumstances when the most effective engagement is at a market level brought about by changes to policy, regulation or standards of best practice. The Trustee therefore encourages engagement with groups such as policy makers, industry bodies or listing authorities to bring about market-wide improvements.

Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity

The Trustee encourages the MNRPF's investment managers to exercise voting rights, undertake engagement and articulate their position on a policy.

When investee companies have been given the authority to exercise the Trustee's voting rights, the Trustee expects the investee manager to actively vote and avoid abstention, thus send a clear message to management, either in support or opposition. The Trustee encourages asset managers to document their voting policy, which should be aligned with applicable best practice, for example the UK Corporate Governance Code. Asset managers should have appropriate resources in place to implement the policy and in general the Trustee favours processes which enable considered (as opposed to automated) voting decisions to be reached with the involvement of the investment teams responsible for managing the assets.

The Trustee relies on voting disclosure made by the investment manager and does not additionally disclose information on their behalf.

Principle 7 – Institutional investors should report periodically on their stewardship and voting activities

The Trustee expects the MNRPF's investment managers to report on their voting and engagement activity on a regular basis, as well as articulating their position relative to the Stewardship Code on a comply or explain basis. It further encourages public disclosure of stewardship policies and of voting and engagement activity.

The Ratings Investment Committee receives a regular report on the stewardship of MNRPF's public equity managers, which includes an assessment of MNRPF's equity managers versus both the UK Stewardship Code and Towers Watson's (Investment Advisor) more stringent active ownership framework. Where weaknesses are

highlighted in a specific area, Towers Watson will engage with these managers to encourage them to work towards best practice.

A handwritten signature in black ink, appearing to read 'Edmund Brookes', written over a dotted line.

Chairman – Edmund Brookes

26th March 2013

Date