



Comet Pension Scheme (‘Scheme’)

**31 March 2024 Implementation
Statement**

July 2024

1. Introduction

The Trustee is required to make publicly available online a statement (“the Implementation Statement”) covering the Comet Pension Scheme (the ‘Scheme’) in relation to the Scheme’s Statement of Investment Principles (the “SIP”).

The SIP was amended once during the year ending 31 March 2024, and the changes made were primarily to reflect the Trustee choosing to align their engagement priorities with those of the Scheme’s Fiduciary Manager.

A copy of the current SIP signed and dated December 2023 can be found here [COMET PENSION SCHEME \(comet-pensions.co.uk\)](https://comet-pensions.co.uk)

This Implementation Statement covers the period from 1 April 2023 to 31 March 2024 (the “Scheme Year”). It sets out:

- How the Trustee’s policies on stewardship have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

The latest guidance (“the **Guidance**”) from the Department for Work and Pensions (“**DWP**”) aims to encourage the Trustee of the Scheme to properly exercise their stewardship policy including both voting and engagement which is documented in the Scheme’s SIP. With the help of the Scheme’s Fiduciary Manager, to whom the Trustee delegated the implementation of its Stewardship policy, this Implementation Statement has been prepared to provide the details on how the Trustee has complied with the DWP’s statutory guidance.

The Trustee uses the Fiduciary Management service of **Schroders IS Limited** as their Investment Manager (referred to as the “**Fiduciary Manager**” in the Implementation Statement). The Fiduciary Manager can appoint other investment managers (referred to as “**Underlying Investment Managers**”) to manage part of the Scheme’s assets, and investments with these managers are generally made via pooled funds, where the Scheme’s investments are pooled with those of other investors.

A copy of this Implementation Statement is available on the following website: [Useful Documents and Forms | Comet Pension Scheme \(comet-pensions.co.uk\)](https://comet-pensions.co.uk)

2. How the Trustee's policies on stewardship have been followed over the Scheme Year

The Trustee's Fiduciary Manager is a signatory to the *UK Stewardship Code* which sets high standards for those investing money on behalf of UK pensioners and savers. The Trustee expects the Fiduciary Manager's stewardship activities will result in better management of ESG and climate related risks and opportunities, which is expected to improve the long-term financial outcomes of the Scheme. Therefore, the Trustee's approach to stewardship is to delegate the stewardship activities to the Fiduciary Manager and as such the Trustee has aligned its stewardship priorities with the Fiduciary Manager's; **Climate Change, Natural Capital & Biodiversity** and **Human Rights**.

The UK Stewardship Code describes stewardship as *"the responsible allocation, management and oversight of capital to create long-term value ... leading to sustainable benefits for the economy, the environment and society."* Thus, the Fiduciary Manager's stewardship activities on behalf of the Trustee encompass a variety of tools, including portfolio ESG integration, manager research and selection, portfolio ESG metric monitoring and voting and engagement.

The Trustee takes responsibility for regularly reviewing the approach and stewardship policies of the Fiduciary Manager to ensure they are aligned with the Trustee's priorities and objectives. A copy of the Scheme's SIP has been provided to the Fiduciary Manager, who is expected to follow the Trustee's investment (including stewardship) policies when providing Fiduciary Management services.

As part of ongoing monitoring of how the Fiduciary Manager (FM) has exercised the Trustee's stewardship policy, the Trustee reviewed quarterly FM ESG updates during the Scheme Year, as well as the FM Annual ESG Report after the Scheme Year-end, before preparing this Implementation Statement. The quarterly ESG updates allow the Trustee to monitor the ESG characteristics of the Scheme's portfolio and thereby assess the Fiduciary Manager's allocation, management and oversight of the Scheme's capital. The annual ESG report details various areas concerning the Fiduciary Manager's ESG integration within the investments and stewardship activities over the previous calendar year.

The Trustee is satisfied that the expectations outlined in the SIP have been met, with the Fiduciary Manager taking the Trustee's stewardship policy and priorities into account as part of its stewardship activities and manager selection. Examples of how this has been evidenced over 2023, include:

- ❖ Exclusions of Global Norms Violators as part of the security selection process. This ensures a closer alignment of the Scheme's investments with the Trustee's stewardship priorities, as violators are generally viewed as causing significant harm to People or Planet.
- ❖ Incorporation of SustainEx™ scoring into the core equity allocation process, in both the initial screening process and as a constraint at a total portfolio level. SustainEx™ is Schroders' proprietary tool to translate social and environmental impacts into financial costs.
- ❖ Conducting manager research to identify value-adding, climate-aware equity funds to potentially allocate some of the Scheme's capital to, subject to further due diligence.
- ❖ Approval of a cash fund that offers improved environmental characteristics to the Scheme's existing cash fund, with equivalent cost and return track record. After carrying out appropriate due-diligence in early 2024, the Scheme's existing cash assets have now been invested in this fund.

- ❖ Annual assessment of Underlying Investment Managers' ESG ratings against a comprehensive internal ESG assessment framework. Lower-rated managers are categorised as either Red-Engagement or Red-Exclusion, requiring further engagement to improve their rating, or exclusion on the grounds of poor ESG credentials.
- ❖ Regular investment and operational due diligence on the Underlying Investment Managers to monitor voting and engagement policies concerning the Scheme's investments.
- ❖ Addition of voting and engagement examples to the quarterly ESG reporting provided to the Trustee, facilitating a more regular review throughout the year of the Underlying Investment Managers' stewardship activities.
- ❖ ESG integration throughout the portfolio, with Underlying Investment Manager and counterparty engagement carried out in Growth, Buy & Maintain and LDI portfolios. Some examples of the engagements which occurred over 2023 are detailed in a separate Engagement Report, available upon request.
- ❖ Introduction of new 'impact' metrics into quarterly reporting, such as Implied Temperature Rise (measuring the contribution of the Scheme's investments to global warming) and SustainEx™ scoring, to facilitate better Trustee oversight of the impacts of the Scheme's capital on the environment and society.

Considering the voting statistics and behaviour set out in this Implementation Statement, along with the engagement activity (detailed in a separate Engagement Report, available upon request) that took place on the Trustee's behalf during the Scheme Year within the growth asset portfolio, cashflow matching credit portfolio and the liability hedging portfolio, the Trustee is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting and engagement in line with its stewardship policy.

Specifically, the Trustee noted that:

- Each manager demonstrated high levels of voting rights being acted on, where voting is relevant.
- Where the holdings did not have voting rights attached, the Underlying Investment Managers showed they carried out a good level of engagement activity with the underlying companies over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The Fiduciary Manager has carried out a high level of engagement activities with the Underlying Investment Managers, focussing on laggards and material allocations.
- The Fiduciary Manager has also carried out a high level of engagement with different governing bodies for the Liability Hedging mandate to ensure that the Scheme's liability hedging programme not only remained robust during the Gilt Crisis of Autumn 2022 and beyond, but the Fiduciary Manager also provided inputs to those governing bodies to ensure they continue to deliver even better outcomes for their clients, including the Scheme.

Given the activities carried out during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the DWP Guidance over the Scheme Year.

3. Voting During the Scheme Year

The Trustee has delegated responsibility for voting on its behalf to the Fiduciary Manager and Underlying Investment Managers. Most voting rights associated with the Scheme's investments pertain to the underlying securities within the pooled funds managed by the Underlying Investment Managers. In a general meeting of a company issuing these securities, the Underlying Investment Managers exercise their voting rights according to their own policies, which the Fiduciary Manager may have influenced.

The pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee, in line with the Trustee's stewardship policy.

Voting by the Fiduciary Manager

Over the year to 31 March 2024, regarding clients' pooled fund investments¹, the Fiduciary Manager voted on 90 resolutions across 16 meetings. The Fiduciary Manager voted against management on 5 resolution (5.6% of total resolutions) and abstained on 32² resolutions (35.6% of the total resolutions). The voting topics covered a range of areas, including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

Voting by the Underlying Investment Managers

Most Significant Votes

The following criteria must be met for a vote to be considered "significant":

1. Must relate to the **BNY Mellon (Schroder Solutions) Global Equity Fund**;
2. Must be defined as significant by the Fiduciary Manager; and
3. Must relate to the Trustee's three stewardship priority themes.

The **BNY Mellon (Schroder Solution) Global Equity Fund** constitutes more than 10% of the Scheme's Growth Asset portfolio and thus constitutes the majority of the Scheme's investments in equity assets – with equity being the main asset class that holds voting rights. Additionally, within the Scheme's Growth Asset portfolio, this is the only fund for which the Fiduciary Manager has responsibility over security selection. For these reasons, the voting activity associated with the securities in this fund holds particularly significant for the Scheme. From 1 January 2024, the proxy voting for this fund moved to Schroders' central ESG team which will ensure the voting policy going forward is guided by Schroders' **Engagement Blueprint** and therefore aligns with the Trustee's stewardship priorities.

Of the votes that satisfy these criteria, the Trustee has selected one vote relating to each of the priority themes that it deems most material to the long-term value of the investments. These votes are hereby defined as "most significant votes", and as per DWP guidance, the Trustee has communicated this definition of "most significant votes" to the Fiduciary Manager. All of the most significant votes over this Scheme Year have been reported below.

CLIMATE CHANGE - *At the annual PACCAR Inc meeting on 25 April 2023, BNY Mellon voted in favour of the shareholder proposal for the Board of Directors to annually issue a report describing how the company's lobbying activities align with the goal of the Paris Agreement. This vote was considered "most significant" as it focuses on climate-related topics and the manager believes PACCAR is not transparent in disclosing their activities in this area. This vote failed, and Mellon will continue to engage with PACCAR and encourage them to disclose more information on lobbying generally, and specifically related to climate.*

¹ The voting statistics provided pertain to the Fiduciary Manager's Model Growth portfolio and may not fully reflect the pooled fund investments held by the scheme.

² The Fiduciary Manager abstained from voting on these resolutions due to the presence of share blocking. If the Manager were to vote on a position, they would then be blocked from selling positions in the security from the voting deadline date until one day post meeting and, in the absence of an instruction from Investors, it is Schroders' policy to retain liquidity of the investment.

NATURAL CAPITAL & BIODIVERSITY - On 20 June 2023, BNY Mellon voted against a shareholder proposal for General Motors Company to report on setting sustainable sourcing targets. Mellon's rationale for voting against this proposal was due to their belief that the company has numerous existing initiatives addressing the items contained in the proposal, as well as top class disclosure on other sustainable sourcing data. This vote is considered "most significant" by the Trustee, as it focuses on the natural capital and biodiversity stewardship priority and the manager considers it to be significant since the company are already providing sufficient information in this area. The vote failed, and Mellon intend to continue engagement with General Motors to ensure that all disclosures are kept up to date and are focused on material concerns to the company and their long-term value.

HUMAN RIGHTS - At the Nike Inc, shareholder meeting on 12 September 2023, BNY Mellon voted against a shareholder proposal for the company to report on the effectiveness of supply chain management on equity goals and human rights commitments. BNY Mellon voted against the proposal as they believe the company's detailed disclosures already address the ask of the shareholder proposal and support of the proposal would not enhance the long-term shareholder value of the company as it would waste time and resources on information already provided. This vote relating to the Human Rights stewardship priority failed. Mellon will continue to engage with Nike and encourage the company to maintain their disclosures in the current detailed manner they are.

Summary Voting Statistics

The Fiduciary Manager uses c. 30 Underlying Managers; however, only the Scheme's equity and some alternative (hedge fund) holdings invest in assets with voting rights attached. Below are the voting statistics over the 12 months to 31 March 2024 for the most material, active funds held on behalf of the Trustee that had voting rights during the period.

Equity Funds	BNYM Global Equity Fund	Morant Wright Fuji Yield Japanese Fund	FSSA All China Fund (1 Nov 23 – 31 Mar 24)
Total meetings eligible to vote	943	61	25
Total resolutions eligible to vote	11,918	764	139
Of resolutions eligible to vote, % of resolutions voted on	94%	100%	100%
Of voted resolutions, % vote with management	93%	84%	96%
Of voted resolutions, % vote against management	7%	16%	4%
Of voted resolutions, % abstained	1%	0%	0%
Of voted resolutions, % vote contrary to the recommendation of proxy adviser (if applicable)	3%	N/A	9%

Note:

- BNYM, NinetyOne and Morgan Stanley use Institutional Shareholder Services, "ISS", for proxy voting services. BNYM also utilises Glass Lewis for research. The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM have included votes withheld in votes abstained (in order to be in line with the PLSA template which other managers have used), although there are differences between votes withheld and votes abstained.

- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management.
- A new equity fund, **FSSA All China**, held at the Scheme Year-end, was introduced into the Growth portfolio in November 2023. Due to the Scheme’s limited investment period in this fund during this Scheme Year, the Trustee has elected to not include the 12-month voting statistics for this fund, and only report on the activity over the months invested.

<i>Alternative Funds</i>	Lumyna Marshall Wace - TOPS (Market Neutral) Fund	Lumyna Marshall Wace - TOPS Environmental Focus (Market Neutral) Fund	Lumyna Marshall Wace - Systematic Alpha Fund	North Rock Fund
Total meetings eligible to vote	<i>Data not provided</i>	<i>Data not provided</i>	<i>Data not provided</i>	57
Total resolutions eligible to vote	5535	2733	5617	<i>Data not provided</i>
Of resolutions eligible to vote, % of resolutions voted on	100%	100%	100%	100%
Of voted resolutions, % vote with management	79%	63%	81%	100%
Of voted resolutions, % vote against management	11%	8%	11%	0%
Of voted resolutions, % abstained	10%	29%	8%	0%
Of voted resolutions, % vote contrary to the recommendation of proxy adviser (if applicable)	8%	5%	8%	0%

Note:

- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- Lumyna Marshall Wace and North Rock use Glass Lewis for proxy voting services.
- Lumyna Marshall Wace have included votes withheld in votes abstained (in order to be in line with the PLSA template which other managers have used), although there are differences between votes withheld and votes abstained.
- Figures have been rounded but may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management.
- North Rock voted all resolutions with management or with the recommendations of the proxy advisory service.

Voting statistics have not been reported for one of the Underlying Investment Managers of the Scheme’s alternative asset allocation, as they did not respond to the stewardship data request from the Fiduciary Manager. Following engagement with the Fiduciary Manager, this Underlying Investment manager has agreed to provide voting statistics for the Trustee to review going forward. Unfortunately, the voting data for the 12 months to 31 March 2024 was not received from this manager prior to the publication of this Implementation Statement. The Fiduciary Manager will continue to engage with this manager on behalf of the Trustee to request this data.

The Trustee is satisfied that the voting and engagement activities undertaken by both the Fiduciary Manager and the Underlying Investment Managers align with the stewardship priorities the Trustee has determined during the Scheme Year, hence the Trustee believe it has satisfactorily implemented the Stewardship Policy stated in the Scheme's SIP.

Appendix 1 – ESG, Voting and Engagement Policies

Links to the voting and responsible investment policies for both the Fiduciary Manager and Underlying Investment Managers of the Scheme's actively managed holdings can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	schroders-esg-policy.pdf https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf
Bank of New York Mellon	https://www.mellon.com/content/dam/mellondotcom/pdf/disclosures/proxy-voting-guidelines-mellon.pdf
Morant Wright	https://www.morantwright.co.uk/sites/default/files/policies/voting_policy_2023.pdf
SCOR	https://www.scor-ip.com/sites/default/files/2023-05/SCOR_IP_Shareholder%20engagement%20policy_EN_052023.pdf
T Rowe Price	https://www.troweprice.com/content/dam/trowecorp/Pdfs/esg/proxy-voting-guidelines-TRPA.pdf
Neuberger Berman	https://www.nb.com/en/global/esg/engagement
CBRE	CBRE Global ESG policy: https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf
Insight	https://www.insightinvestment.com/investing-responsibly/