

ESG Report

MES Environmental Limited Pension Scheme
IS0008675

31/03/20

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Scheme Summary

Policy Number:
Statement Date:

IS0008675
31/03/2020



Funds	Holdings	Unit Price	Value	%	Fund Manager ESG Credentials	Engagement & Voting Records
Ninety One Diversified Growth Fund	26,471	88.557567	2,344,221	38.64%	Yes	Yes
M&G Total Return Credit Investment Fund	15,699	99.823649	1,567,100	25.83%	Yes	Engagement Only
L&G Life HC Over 15 Year Index-Linked Gilts Index Fund	5,505	110.311629	607,286	10.01%	Yes	*No
L&G Life FABR Fixed Long Duration Fund	713	208.655575	148,848	2.45%	Yes	*No
L&G Life FABP Fixed Short Duration Fund	720	170.416171	122,704	2.02%	Yes	*No
L&G Life FABT Real Long Duration Fund	6,500	124.927038	812,049	13.38%	Yes	*No
L&G Life FABS Real Short Duration Fund	3,908	119.032078	465,130	7.67%	Yes	*No
Total			6,067,338	100.00%		

***Legal & General provided aggregated voting data at the geographic level. This data was provided for 2019 only. As a consequence, any potential voting and engagement data that has been presented in this document is at the geographic level and not necessarily the activity of the specific fund you hold. Mobius Life Limited accepts no responsibility or liability for its accuracy.**

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Mobius Life Limited provides information on our products and services to enable you to make your own investment decisions, and this document should not be regarded as a personalised recommendation. The value of investments may go down as well as up and investors may not get back the amount originally invested. Asset allocations and choice of asset managers may change without notification. In the event of a redemption suspension being invoked by a third party (the underlying investment), Mobius Life Limited reserves the right to delay cancellation of the Units in that fund for the same period as the underlying investment. Currency exchange rates may cause the value of overseas investments to rise or fall. Where a fund is invested with another life company by means of a reinsurance arrangement, the risk of default by the reinsurer is borne by policyholders who invest in the relevant fund. Investing in emerging markets involves a high degree of risk and should be seen as long term in nature. Investing in derivatives are generally considered to have a higher degree of risk compared to an investment in a physical asset and thus should be made with caution, especially for less experienced investors.

Fund Manager ESG Credentials

Questions	Ninety One	M&G	L&G
Do you have an ESG policy that is integrated into the investment process?	Yes	Yes	Yes
Do you have a firm ESG rating?	Yes	Yes	Yes
Please provide your UNPRI survey scores	2020 scores: Strategy & Governance: A+ Listed Equity - Incorporation: A+ Listed Equity - Active Ownership: A+ Fixed Income - SSA: A+ Fixed Income - Corporate Financial: A+ Fixed Income - Corporate Non-Financial: A+ Private Equity: A Infrastructure: A+	2020 scores: Strategy & Governance: A+ Listed Equity - Incorporation: A+ Listed Equity - Active Ownership: A+ Fixed Income - SSA: A+ Fixed Income - Corporate Financial: A+ Fixed Income - Corporate Non-Financial: A+ Fixed Income - Securitised: A Property: A Infrastructure: A+	2020 scores: Strategy & Governance: A+ Listed Equity - Incorporation: A+ Listed Equity - Active Ownership: A+ Fixed Income - SSA: A+ Fixed Income - Corporate Financial: A Fixed Income - Corporate Non-Financial: A Property: A
Do you have a Climate Change policy that is integrated into the investment process?	No	Yes	Yes
Are Senior Management accountable for ESG or Climate Change risks?	Yes	Yes	The Investment Stewardship team is responsible for developing and carrying out LGIM's investment stewardship and responsible investment activities, including the management of climate-based initiatives such as the Climate Impact Pledge.
Do you have a dedicated team that considers ESG and Climate Change related factors?	Yes	Yes	Yes
Do you rely on any third parties to provide ESG and Climate Change related analysis/research?	Yes - CDP	Yes - MSCI, MSCI Carbon Portfolio Analytics, ISS, Eikon, UNEP FI, etc	Yes - Bloomberg, Boardex, CDP, HSBC, InfluenceMap, ISS, IVIS, Maplecroft, MSCI, Refinitiv (formerly Thomson Reuters), Reprisk, Sustainalytics, Trucost
Do you create your own ESG or Climate Change related scores?	No	Yes	Yes
Does your company have a policy on equality and diversity in the workplace?	Yes	Yes	Yes
Do you provide any reporting publicly or to clients with regard to ESG and Climate Change related issues? How often?	Yes, Annually	Yes, Quarterly	Yes, Monthly, Quarterly and Annually
Do ESG related factors get considered with respect to performance management of investment companies and funds?	Yes	Yes	Yes
Are you signatories of the FRC UK Stewardship Code or equivalent?	Yes	Yes	Yes

Engagement

Activity	Ninety One Diversified Growth Fund	M&G Total Return Credit Investment Fund
How many engagements have you had with companies in the past 12 months?	11	22
How many engagements were made regarding climate change?	2 (18%)	4 (18.2%)
How many engagements were made regarding board diversity?	2 (18%)	0 (0%)
How many engagements were made regarding waste reduction?	Not provided	4 (18.2%)
How many engagements were made regarding financials?	1 (9%)	0 (0%)
How many engagements were made regarding other issues?	6 (54%)	14 (63.6%)
Which form of engagement is most representative of the approach taken for this fund over the last 12 months: Sending standardised letters to companies Sending bespoke letters to companies Standard period engagement with companies Active private engagement on specific issues Active public engagement on specific issues	Sending bespoke letters to companies	Active public engagements on specific issues - during the last 12 months over 50% of ESG engagements were calls or meetings
Please discuss some of the key engagements and outcomes from the last 12 months.	<p>Engagement case study: Moncler</p> <p>Moncler is a global luxury apparel and lifestyle brand that sets itself apart from peers through its creativity, and customer engagement. Management maintain a strong focus on controlled growth of the business in a way that will preserve the brand. Product quality and sustainable are critical features of the company's strategy although limited disclosure of carbon emissions is an ongoing area for improvement. Since 2003, the brand has benefitted from one of the most impressive CEOs in the retail industry - Remo Ruffini - who has been responsible for shaping Moncler's strategy. Ruffini owns a significant stake in the business which we view as a positive factor that aligns his interest with other shareholders.</p> <p>Earlier this year, we engaged with Moncler in collaboration with Ninety One's 4Factor equity team. We voted against two aspects of their proxy vote. Firstly, the proposal to create a mechanism for increased voting rights and secondly, for outgoing board members to present a list of replacement candidates. We felt these two proposals were not for the benefit of minority shareholders and minority members of the board. We acknowledge the excellent work Ruffini has achieved in building Moncler into the company that it is today, and we view his significant stake in the business as a positive factor which largely aligns his interest with other shareholders. However, differential voting rights is out of line with industry best practice and creating a mechanism that gives large holders disproportionate voting shares enables Mr Ruffini to increase his control without contributing more capital to the business. With the company talking more about the potential for M&A we want to ensure that the ability for minority shareholders to vote on strategically important decisions is retained in the future. While the March meeting was cancelled as a result of the COVID-19 pandemic, the proposed amendment did not feature in the June meeting agenda, so it would appear that collective shareholder resistance has been effective so far, but we will continue to monitor for future proposed amendments or a resurfacing of this proposal from the board.</p>	<p>An Annual Stewardship Report for 2019 was provided but the manager did not provide specific examples for issuers/securities held within the fund. An example of an engagement, regarding fixed income holdings, was provided within this report. However, Mobius does not know whether this issuer/security is held within this fund: Landsec - green bond - Fixed Income Objective: To provide input on UK commercial property company Landsec's (Land Securities Group) green bond framework ahead of publication. Action: Met with the sustainability reporting manager, treasurer and treasury and insurance director to discuss the company's green bond framework. Outcome: We were approached by Landsec to provide our input on its green bond framework ahead of publication. The company has a clear ambition to be a leader on TCFD (Task Force on Climate-related Financial Disclosures) reporting and has established strategies to raise awareness and internal agreement for sustainability targets. This includes internal training programmes to highlight the value creation delivered through its green investments. Landsec also engaged with a UK consultant to develop climate scenarios, which revealed key risks in its value chain. There was strong buy-in from the chief executive, who has responsibility for sustainability and climate-related risks, which was encouraging to hear.</p>

Voting

Activity	Ninety One Diversified Growth Fund	M&G Total Return Credit Investment Fund
Do you conduct your own votes?	Yes	N/A Fixed Income Fund
Do you use a third party to vote on your behalf?	No	N/A Fixed Income Fund
How many votes were proposed across the underlying companies in the fund?	1663	N/A Fixed Income Fund
How many times did you vote in favour of management?	1547 (93%)	N/A Fixed Income Fund
How many times did you vote against management?	66 (4%)	N/A Fixed Income Fund
How many votes did you abstain from?	50 (3%)	N/A Fixed Income Fund
Please discuss some of the key votes and outcomes from the last 12 months.	<p>Coca-Cola European Partners (CCEP) – We voted against the reappointment of two directors and abstained on another two due to our concerns on board composition and effectiveness. The board is large with 17 members and many of them do not seem to us to add experience from different industries or expertise. A number of the members form the key shareholders for the company, with four members from the two main shareholders. These directors are also overboarded, sitting on between five and 9 other boards elsewhere.</p> <p>- YDUQS (Brazil educational company) – We voted against the classification of independent directors. The company presented the vote under a single agenda item, impeding our ability to consider the independence of each director on their merits. One director in particular had a tenure of 12 years. Without an ability to vote against his particular categorisation, we voted against the categorisation of the whole slate to encourage better practice both in terms of how directors are categorised and to discourage the use of single slate votes.</p> <p>- Zhejiang Supor (China cookware and small appliances company) – We use an external proxy research and vote execution service provided by Institutional Shareholder Services (ISS). For Zhejiang Supor, ISS had recommended that we vote against granting the company the authority to invest cash balances in short term financial instruments. However, we were happy to vote 'for' independent of ISS's recommendation due to the fact that Supor provides detailed disclosure of the instruments that they use and the low risk nature of those instruments. At the same meeting, we voted against approval of the company's auditors as the company did not follow best practice with respect to detailing the fees paid to the auditors. That vote against was supplemented with a letter to the company to make them aware why we had voted as we had in order to encourage them to increase disclosure relating to the auditor's fee.</p> <p>- We work closely with the fixed income team in selecting emerging market debt positions for the Diversified Growth portfolio and over the first six months of 2020 the team held a number of meetings with senior figures in key emerging market nations. Relevant to the Diversified Growth strategy, we are seeing further signs of acceleration in Middle Eastern solar energy projects. We hold a small position in Qatar sovereign debt and note that the country launched a successful tender for an 800MW solar plants with a record low cost per unit. Notwithstanding delays from COVID-19, we expect an increase in renewable project tendering this year throughout the Middle East.</p>	N/A Fixed Income Fund

Other	Ninety One Diversified Growth Fund	M&G Total Return Credit Investment Fund
Do you monitor the carbon emission levels or similar of the underlying companies in the fund?	Yes	Yes - Carbon intensity exposures are monitored on a quarterly basis, however, the measure is fairly limited for securitised assets.
What is the target turnover rate for the portfolio?	We do not have a target turnover rate. We typically expect to hold securities in the portfolio for between 12 and 18 months. This is not specific to ESG.	N/A -this fund does not have a target turn over rate
What was the actual turnover rate over the last 12 months?	7.17%	21.65%

Engagement

Activity	L&G Life HC Over 15 Year Index-Linked Gilts Index Fund	L&G Life FABR Fixed Long Duration Fund
How many engagements have you had with companies in the past 12 months?	Not available	Not available
How many engagements were made regarding climate change?	Not available	Not available
How many engagements were made regarding board diversity?	Not available	Not available
How many engagements were made regarding waste reduction?	Not available	Not available
How many engagements were made regarding financials?	Not available	Not available
How many engagements were made regarding other issues?	Not available	Not available
Which form of engagement is most representative of the approach taken for this fund over the last 12 months: Sending standardised letters to companies Sending bespoke letters to companies Standard period engagement with companies Active private engagement on specific issues Active public engagement on specific issues	Not available	Not available
Please discuss some of the key engagements and outcomes from the last 12 months.	Not available	Not available

Voting

Activity	L&G Life HC Over 15 Year Index-Linked Gilts Index Fund	L&G Life FABR Fixed Long Duration Fund
Do you conduct your own votes?	Not available	Not available
Do you use a third party to vote on your behalf?	Not available	Not available
How many votes were proposed across the underlying companies in the fund?	Not available	Not available
How many times did you vote in favour of management?	Not available	Not available
How many times did you vote against management?	Not available	Not available
How many votes did you abstain from?	Not available	Not available
Please discuss some of the key votes and outcomes from the last 12 months.	Not available	Not available

Other	L&G Life HC Over 15 Year Index-Linked Gilts Index Fund	L&G Life FABR Fixed Long Duration Fund
Do you monitor the carbon emission levels or similar of the underlying companies in the fund?	Not available	Not available
What is the target turnover rate for the portfolio?	Not available	Not available
What was the actual turnover rate over the last 12 months?	Not available	Not available

Engagement

Activity	L&G Life FABP Fixed Short Duration Fund	L&G Life FABT Real Long Duration Fund	L&G Life FABS Real Short Duration Fund
How many engagements have you had with companies in the past 12 months?	Not available	Not available	Not available
How many engagements were made regarding climate change?	Not available	Not available	Not available
How many engagements were made regarding board diversity?	Not available	Not available	Not available
How many engagements were made regarding waste reduction?	Not available	Not available	Not available
How many engagements were made regarding financials?	Not available	Not available	Not available
How many engagements were made regarding other issues?	Not available	Not available	Not available
Which form of engagement is most representative of the approach taken for this fund over the last 12 months: Sending standardised letters to companies Sending bespoke letters to companies Standard period engagement with companies Active private engagement on specific issues Active public engagement on specific issues	Not available	Not available	Not available
Please discuss some of the key engagements and outcomes from the last 12 months.	Not available	Not available	Not available

Voting

Activity	L&G Life FABP Fixed Short Duration Fund	L&G Life FABT Real Long Duration Fund	L&G Life FABS Real Short Duration Fund
Do you conduct your own votes?	Not available	Not available	Not available
Do you use a third party to vote on your behalf?	Not available	Not available	Not available
How many votes were proposed across the underlying companies in the fund?	Not available	Not available	Not available
How many times did you vote in favour of management?	Not available	Not available	Not available
How many times did you vote against management?	Not available	Not available	Not available
How many votes did you abstain from?	Not available	Not available	Not available
Please discuss some of the key votes and outcomes from the last 12 months.	Not available	Not available	Not available

Other	L&G Life FABP Fixed Short Duration Fund	L&G Life FABT Real Long Duration Fund	L&G Life FABS Real Short Duration Fund
Do you monitor the carbon emission levels or similar of the underlying companies in the fund?	Not available	Not available	Not available
What is the target turnover rate for the portfolio?	Not available	Not available	Not available
What was the actual turnover rate over the last 12 months?	Not available	Not available	Not available