

ESG Report

The RWL Pension Scheme
IS0008237

31/07/20

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Scheme Summary

Policy Number: IS0008237
Statement Date: 31/07/2020

Funds	Holdings	Unit Price	Value	%	Fund Manager ESG Credentials	Engagement & Voting Records
Baillie Gifford Diversified Growth Fund	3,126,584	1.241128	3,880,491	25.48%	Yes	Voting Only
L&G Life Over 15 Year Index-Linked Gilts Index Fund	1,152,463	1.647092	1,898,212	12.46%	Yes	No
Pictet Multi Asset Portfolio	27,352	97.534229	2,667,747	17.51%	Yes	Yes
Nordea GBP Diversified Return Fund	12,534	104.211604	1,306,204	8.58%	Yes	Yes
Threadneedle Life Multi Asset Fund	51,763	105.848020	5,478,971	35.97%	Yes	Voting Only
Total			15,231,624	100.00%		

All data is correct as of 30/06/2020

Disclaimer:

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Fund Manager ESG Credentials

Questions	Baillie Gifford	L&G	Pictet
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	No
Please provide your UNPRI survey scores	<p>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</p>	<p>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</p>	<p>2020 Scores: Strategy & Governance: A+ Listed Equity - Incorporation: A Listed Equity - Active Ownership: A Fixed Income - SSA: B Fixed Income - Corporate Financial: A Fixed Income - Corporate Non-Financial: A</p>
Do you have a Climate Change policy that is integrated into the investment process?	Yes	Yes	No, we do not have an explicit policy but include climate change considerations in our assesment of investment opportunities and risks
Are Senior Management accountable for ESG or Climate Change risks?	Yes	Investment Stewardship team	Yes
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 - Trucost, 427, Your SRI, Sustainalytics, MSCI, own research	Yes - Bloomberg, Boardex, CDP, HSBC, InfluenceMap, ISS, IVIS, Maplecroft, MSCI, Refinitiv (formerly Thomson Reuters), Reprisk, Sustainalytics, Trucost	Yes - ISS, Ethos, CFRA, Holt, Sustainalytics, Inrate, RepRisk, Trucost, Bloomberg, Verisk Maplecroft, Global Footprint Network
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, quarterly	Yes, monthly, quarterly and annually	Yes, 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

Fund Manager ESG Credentials

Questions	Nordea	Threadneedle
Do you have an ESG policy that is integrated into the investment process?	Yes	Yes
Do you have a firm ESG rating?	Yes	Yes
Please provide your UNPRI survey scores	2020 scores: Strategy & Governance: A+ Listed Equity: A Fixed Income - SSA: A Fixed Income - Corporate Financial: A Fixed Income - Corporate Non-Financial: A Fixed Income - Securitised: A Private Equity: A Listed Equity - Incorporation: A Listed Equity - Active Ownership: 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?	Yes	Yes
Are Senior Management accountable for ESG or Climate Change risks?	Yes	Yes
Do you have a dedicated team that considers ESG and Climate Change related factors?	Yes	Yes
Do you rely on any third parties to provide ESG and Climate Change related analysis/research?	Yes - ISS, MSCI, Bloomberg, TruValue Labs, SASB, CDP, RepRisk, Impact-cubed, Maplecroft, NGOs (WWF, Amnesty International, Transparency International, Greenpeace, SwedWatch, DanWatch)	Yes - MSCI ESG, BoardEx, ISS, Bloomberg, NGOs, GMI AGR screen, corporations, broker research, trade associations, academia, news, national and international government bodies
Do you create your own ESG or Climate Change related scores?	Yes	Yes
Does your company have a policy on equality and diversity in the workplace?	Yes	Yes
Do you provide any reporting publicly or to clients with regard to ESG and Climate Change related issues? How often?	Yes, quarterly	Yes, quarterly, semi-annually and annually
Do ESG related factors get considered with respect to performance management of investment companies and funds?	Yes	Yes
Are you signatories of the FRC UK Stewardship Code or equivalent?	No	Yes

Engagement

Activity	Baillie Gifford Diversified Growth Fund	L&G Life Over 15 Year Index-Linked Gilts Index Fund	Pictet Multi Asset Portfolio
How many engagements have you had with companies in the past 12 months?	15	Not applicable for this fund	69
How many engagements were made regarding climate change?	Not available	Not applicable for this fund	2 (3%)
How many engagements were made regarding board diversity?	Not available	Not applicable for this fund	0 (0%)
How many engagements were made regarding waste reduction?	Not available	Not applicable for this fund	3 (4%)
How many engagements were made regarding financials?	Not available	Not applicable for this fund	0 (0%)
How many engagements were made regarding other issues?	Not available	Not applicable for this fund	64 (93%)
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	Active private engagement on specific issues	Not applicable for this fund	Active private engagement on specific issues
Please discuss some of the key engagements and outcomes from the last 12 months.	<p>Amedeo Air Four is a London-listed closed-end fund which leases widebody passenger aircraft to flag-carrying airlines. In February 2020, the company sold two of its Airbus A380 aircraft to Etihad Airways, in the process terminating the lease agreement which had been in place and realising a favourable financial result. However, this capital has not yet been returned to shareholders and remains unproductively on the company's balance sheet.</p> <p>Dividends have been suspended as Covid-19-related negotiations are underway with the company's other lessees, Emirates and Thai Airways, and the board appears reluctant to release capital until these have been resolved. We have engaged with the board and management on this matter, as have other shareholders, to request a return of the Etihad proceeds to shareholders, which we believe would show good faith and be helpful for the ailing share price.</p> <p>The Prytania Opportunistic Credit Fund II is a new senior CLO (collateralised loan obligation) fund, managed by Prytania Investment Advisers. We have worked with this specialist investor for over a decade and invested in some of its other funds. After the market dislocations earlier this year, we collaborated with Prytania to create a new vehicle to help us maximise the opportunity in senior structured finance. We worked together on guidelines for the fund, including target investments, leverage permissions, liquidity and costs, and began to build a stake in the new fund during the second quarter.</p>	Not applicable for this fund	<p>In 2019, we engaged with Canfor to prevent a majority shareholder from acquiring it at what was, in our view, an unfairly inexpensive price. We felt that such a deal would enable the majority shareholder to profit from poor share price performance without acknowledging the inherent value and solidity of the company's business model. In the end, the company successfully resisted the bid.</p> <p>Throughout the year we engaged directly with the company and further discussed the issue with other long-term shareholders to better understand their views and exchange concerns. We argued that the bid grossly undervalued the company and contradicted the board's own past capital allocation decisions. We directly engaged with the company's board, together with the external deal consultant, and the case (including our opinion) also featured in a Canadian newspaper.</p> <p>In June 2019, we visited the company's latest acquisition on-site to see for ourselves whether this warranted the corresponding share price decline. We met the company CEO and VP Finance & Strategy to discuss the rationale and activities there. This only strengthened our conviction that the share price fall was unwarranted. As a result, upon the announcement of a takeover, we emphasised to the board that we were not in favour of the move, especially at the existing offer price. We further engaged with the company's management to express our views and intentions if the bid came to a shareholder vote. When minority shareholders were asked to vote on the potential takeover bid, our investment team voted against the deal.</p> <p>The bid did not go through due to shareholder opposition and, as such, we achieved our goal and the engagement was closed.</p>

Voting

Activity	Baillie Gifford Diversified Growth Fund	L&G Life Over 15 Year Index-Linked Gilts Index Fund	Pictet Multi Asset Portfolio
Do you conduct your own votes?	Yes	Not applicable for this fund	Yes
Do you use a third party to vote on your behalf?	No	Not applicable for this fund	Yes - ISS
How many votes were proposed across the underlying companies in the fund?	809 resolutions	Not applicable for this fund	87
How many times did you vote in favour of management?	758 (94%)	Not applicable for this fund	80 (91.95%)
How many times did you vote against management?	48 (6%)	Not applicable for this fund	7 (8.05%)
How many votes did you abstain from?	2 (0.25%)	Not applicable for this fund	0 (0%)
Please discuss some of the key votes and outcomes from the last 12 months.	<p>DP Aircraft I, 08/07/19: We abstained on the resolution to approve the share repurchase authority as we were uncomfortable with the repurchase price.</p> <p>Better Capital, 12/09/19: We opposed the resolution to approve the continuance of the fund as we do not believe it is in the best interests of shareholders to continue paying the Managers a fee to run the fund during the run-off.</p> <p>Eurovestech, 17/03/20: We opposed the authority to issue equity with pre-emption rights given the company is winding up. Under these circumstances we do not believe additional capital issuance would be in the best interests of our clients.</p> <p>Fondul Proprietatea GDR, 28/04/20: We opposed the termination of the mandate of the existing alternative investment fund manager as we supported the resolution to continue the existing mandate.</p> <p>Tenaga Nasional, 30/06/20: We opposed the resolution to approve non-executive director fees due to the inclusion of benefits which we do not feel are appropriate.</p>	Not applicable for this fund	<p>Tuftons: We supported the ISS recommendation on resolution no 4 to vote against re-electing Robert King as director. Rationale: Lack of diversity in the board and Robert King holding more than 5 mandates and as such classified as overboarded. Outcome: Although the appointment of Robert King was re-elected, 17.86% of the votes cast were against. SQN Asset Finance C shares class (EGM) meeting: Item M0130: vote Against the following proposal. The rationale for that is that the size of the company is too small and unlikely to grow considering over the next 12 months the manager's main focus would be on stabilising the existing portfolio. As such our preference is for a wind down of the company in order to receive cash from this investment. Outcome: the proposal was not passed. Votes against 69.08% and the board will proceed in formulating a proposal for a managed wind down of the company as soon as feasible.</p>

Other	Baillie Gifford Diversified Growth Fund	L&G Life Over 15 Year Index-Linked Gilts Index Fund	Pictet Multi Asset Portfolio
Do you monitor the carbon emission levels or similar of the underlying companies in the fund?	Yes	Not applicable for this fund	Yes
What is the target turnover rate for the portfolio?	No target	Not applicable for this fund	No target
What was the actual turnover rate over the last 12 months?	31.7%	Not applicable for this fund	160%

Engagement

Activity	Nordea GBP Diversified Return Fund	Threadneedle Life Multi Asset Fund
How many engagements have you had with companies in the past 12 months?	110	619
How many engagements were made regarding climate change?	Environmental: 51 (46.36%) Social: 57 (51.82%) Governance: 2 (1.82%)	Not available
How many engagements were made regarding board diversity?		Not available
How many engagements were made regarding waste reduction?		Not available
How many engagements were made regarding financials?		Not available
How many engagements were made regarding other issues?		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	Active private engagement on specific issues	Active private engagement on specific issues Active public engagement on specific issues
Please discuss some of the key engagements and outcomes from the last 12 months.	<p>Bank Rakyat Indonesia (BRI) is the largest and oldest commercial bank in Indonesia. Nearly three quarters of its loan book is connected to microfinancing, a type of banking service provided to low-income individuals or groups who otherwise would have no access to financial services. This is an important contribution to improving financial inclusion and socioeconomic resilience in Indonesian society.</p> <p>Palm oil production has been associated with a number of ESG risks such as indigenous people's rights, labour rights, deforestation and threatening endangered species. Since palm oil production is a large industry in Indonesia (the world's biggest producer of palm oil), it is no surprise that BRI, as a leading lender in the country, has some exposure to the industry through its loan book.</p> <p>NAM has discussed with BRI its exposure to the palm oil industry. BRI acknowledges it is exposed to ESG risks related to palm oil and in 2018 it began implementing ESG risk management for palm oil plantation loans. It requires palm oil plantation clients to have an ISPO or an RSPO certification, which are the two main sustainable palm oil certifications in Indonesia. BRI is also collaborating with WWF Indonesia to develop in-house sustainable palm oil assessment capabilities for its credit officers.</p> <p>NAM has recommended a few improvements, such as expanding its in-house training programme to credit officers in the field. Existing BRI clients without certification were given in 2018 a two-year grace period to obtain one, so NAM's RI team will follow up in 2020 to track the bank's progress in this and other related areas.</p>	<p>Diamondback Energy, Inc., USA</p> <p>We met with Diamondback Energy management to communicate our interest in seeing the company enhance greenhouse gas emissions and flaring disclosures in 2020 and setting goals on the same in 2021. We observed that as a new member of the S&P 500 the company lags peer disclosures, which increases risk given the company's broad investor base.</p> <p>As a result of the meeting, we achieved greater clarity on the company's boundaries of emissions reporting and the impact of certain client contracts on flaring. We encouraged flaring goal setting, which the company committed to undertake and set an initial target. Management also revealed a commitment to tie executive bonuses and those of most employees to five key environmental and social metrics: flaring, spills, safety, emissions and water recycling. Efforts to tie these items to incentives underscores management's commitment and the links of each to financial performance, which represents solid progress toward our engagement objectives.</p>

Voting

Activity	Nordea GBP Diversified Return Fund	Threadneedle Life Multi Asset Fund
Do you conduct your own votes?	Yes	Yes
Do you use a third party to vote on your behalf?	No	No
How many votes were proposed across the underlying companies in the fund?	1342	6646
How many times did you vote in favour of management?	87.70%	6084 (91.5%)
How many times did you vote against management?	12.30%	380 (5.7%)
How many votes did you abstain from?	0.52%	182 (2.7%)
Please discuss some of the key votes and outcomes from the last 12 months.	<p>Alphabet shareholder proposal - establish risk oversight committee Voted: Against Outcome: For</p> <p>At the Alphabet AGM we supported a number of shareholder proposals, besides Establishment of a risk oversight committee, such as Report on takedown requests and Report on whistleblower policies and practices. Management voting recommendations was against on all these proposals. The dominant position of Google, its impact on society and integrity of individuals is very important for us as investors. We will continue to support shareholder proposals as long as the company is not showing substantial improvements.</p> <p>Comcast amend stock option plan/amend restricted stock plan - incentive programs for management Voted: Against Outcome: For</p> <p>This is a typical incentive program for an US company, and we vote against most of them. We think that bonuses and share based incentives only should be paid when management reach clearly defined and relevant targets which are aligned with the interest of the shareholders.</p> <p>We see less and less support at many AGMs for remuneration packages, and we will continue to be critical of badly structured remuneration programs with large proportions of time based variable compensation.</p>	<p>Tesco Plc 26/06/2020 - vote: against Resolution: Advisory Vote to Ratify Named Executive Officers' Compensation Rationale: Misalignment between pay and performance; discretion used to alter outcomes Outcome of the vote: Dissent from 67% of shareholders Implications: Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.</p> <p>Aspen Technology, Inc. 12/12/2019 - vote: against Resolution: Advisory Vote to Ratify Named Executive Officers' Compensation Rationale: Excessive one-time awards Outcome of the vote : Dissent from 66% of shareholders Implications: Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.</p> <p>Li Ning Company Limited 12/06/2020 - vote: against Resolution: Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights Rationale: Dillutive impact for existing shareholders Outcome of the vote: Dissent from 58% of shareholders Implications: Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.</p>

Other	Nordea GBP Diversified Return Fund	Threadneedle Life Multi Asset Fund
Do you monitor the carbon emission levels or similar of the underlying companies in the fund?	Yes	Yes
What is the target turnover rate for the portfolio?	No target	No target
What was the actual turnover rate over the last 12 months?	87.37% (2019)	96.2%