

MOTOR INSURERS' BUREAU PENSION AND LIFE ASSURANCE SCHEME

Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 December 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018/2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. As set out in the SIP, the Trustee's primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

The Trustee wishes to ensure that they can meet their obligations to the beneficiaries both in the short and long term.

The Trustee recognises that the investment performance of the Scheme's assets will not usually have a direct impact on the members' benefits. The investments can have an indirect impact on the members' benefits if they alter the Sponsoring Employer's ability and/or willingness to continue to support the Scheme.

With that in mind, the Trustee has set specific investment objectives regarding the manner in which the primary objective of meeting their obligations to the members is to be achieved:

- To pay the Scheme benefits as and when they fall due and avoid any reduction in benefits if possible
- To achieve and maintain a funding level of 100% on the on-going funding basis
- To maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme
- To pay due regard to the interests of the sponsoring employer in relation to the funding of the Scheme.

The Trustee has also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Investment Strategy

During the course of the financial year, the Trustee reviewed the Scheme's investment strategy; however, the proposed changes to the investment strategy were not implemented within the reporting period.

The new investment strategy aimed to de-risk the portfolio, increase diversification of the return seeking assets and increase the interest rate and inflation hedge ratios. The new strategy will be summarised fully in the implementation statement covering the 12 months to 31 December 2021.

In order to assess the effectiveness of the investment strategy and investment manager selection, the Trustee receives quarterly monitoring reports on the performance of the underlying investment managers from Mercer on a quarterly basis. The report presents performance information over 3 months, 1 year and 3 years, and shows the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis.

Review of the SIP

The Scheme's SIP was updated in September 2020. The changes made to the SIP reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How arrangements with the asset managers incentivise the asset managers to align their investment strategy and decisions with the Trustee's policies in SIP.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies mentioned in the SIP.
- How the Trustee monitors portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of arrangements with the asset managers.

Scheme's Investment Structure

Over the course of the year, the Scheme's assets were invested via the JLT Investment Management (JLT IM), who maintained a Trustee Investment Policy (TIP) with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers.

JLT IM, now a part of Mercer, has fiduciary responsibility for the selection of pooled funds on the Mobius Platform.

As such, the Trustees have no direct relationship with the Scheme's underlying investments managers.

At the time of writing this document, the Scheme's relationship with JLT IM has ceased due to the closure of the company.

Policy on ESG, Stewardship and Climate Change

The Trustee understands that it must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme's SIP includes the Trustee's policy on ESG factors, Stewardship and Climate Change (Section 4.4 to 4.6). The policies were last reviewed in September 2020. The Trustee keeps its policies under regular review with the SIP subject to review at least triennially.

The Trustee is responsible for ensuring that the Trustee Directors are sufficiently educated in areas relating to ESG. During the reporting period, Mercer, as the investment adviser to the Scheme, provided Trustee training on 'Investments', inclusive of ESG considerations.

Engagement

In the relevant year, the Trustee has not engaged with either Mobius, JLT IM, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the Trustee reviews the stewardship and ESG policies of the Fund managers periodically.

The Trustee has effectively delegated its engagement activities to the investment managers of the funds that the Scheme is invested in. As a result, the Trustee has not directly engaged with the underlying companies that comprise the pooled funds.

Further, the Trustee did not engage with any public policy work over the reporting period.

Voting Activity

The Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustee has therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustee has not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) in which the Scheme's assets are ultimately invested.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's statement.

The table on the following page sets out a summary of the key voting activity over the financial year:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
Columbia Threadneedle – Multi Asset Fund	<p>Columbia Threadneedle Investments utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services.</p> <p>Columbia Threadneedle have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities.</p>	587	58	21	<p>Threadneedle defines “significant” votes to be any dissenting vote i.e. where a vote is cast against (or where they abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management.</p>	<p>Threadneedle have provided a number of examples. These were predominantly where they had voted against election of a director or changes remuneration benefits.</p> <p>For example, Amazon.com Inc., Threadneedle voted against an election of a director, as there were concerns that the director was not independent.</p>
JP Morgan Emerging Markets Opportunities Fund	ISS – to receive meetings notifications, provide company research and process its votes	980	45	4	<p>JP Morgan define’s “significant” votes as votes where they are a major shareholder in their portfolios, where the vote is likely to be close or contentious or where there may be potential material consequences for their clients. They would also include certain categories of shareholder proposals, and votes in relation to companies or issues identified on their Focus list for engagement as potentially significant votes.</p>	<p>JP Morgan have provided a number of examples. These were predominantly where JP Morgan had voted against election of a director or changes remuneration benefits.</p> <p>For example, Hyundai Motor Co., Ltd, JP Morgan voted against an election of a director, as there were concerns that the director was not independent.</p>
Nordea Diversified Return Fund	ISS – for the technical expertise and voting platform, as well as their global	3,466	172	6	<p>Significant votes are those that are severely against our principles, and where we feel we need to</p>	<p>Nordea have provided a number of examples. These were predominantly where the manager had voted</p>

reach, and second opinion

NIS – small niche player which provides input and third opinion

enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, we benchmark the proposals against our policy.

against the advisory to Ratify Named Executive Officers' Compensation.

For example, on Nike, Nordea voted against the advisory to Ratify Executive officer's compensation as there were concerns regarding bonuses and share based incentives and relevant targets aligned with the interest of shareholders not being clearly defined.

Notes: ISS = Institutional Shareholder Services Inc.
IVIS = Institutional Voting Information Service

The Trustee officially accepted this statement on 23rd June 2021.