

William Lockie And Company Limited Retirement Benefits Scheme

ESG Report

30/06/2022

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Scheme Summary

Policy Number:
Statement Date:

IS0008800
30/06/2022

Funds	Holdings	Unit Price	Value	%	Fund Manager ESG Credentials	Engagement & Voting Records
Aegon Pension Corporate Bond Fund Buy & Hold	5,341	99.018616	528,834	10.75%	Yes	Engagement Only
Aegon Pension Long Corporate Bond Fund Buy & Hold	5,024	92.134862	462,900	9.41%	Yes	Engagement Only
BG IF Diversified Growth Fund	19,713	101.028896	1,991,628	40.50%	Yes	Yes
Standard Life GARS Pension Fund	18,994	101.833595	1,934,187	39.33%	Yes	Yes
Total			4,917,549	100.00%		

Disclaimer:

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Fund Manager ESG Credentials

Questions	Aegon	Baillie Gifford	Aberdeen Standard
Do you have an ESG policy that is integrated into the investment process?	Yes	Yes	Yes - Environmental, social and governance (ESG) considerations have been an integral part of our decision-making process for almost 30 years. With ESG factors at the heart of our investment processes, we believe that we can generate better outcomes for our clients, society and the wider world.
Do you have a firm ESG rating?	Each year various organizations assess our company's responsible investment strategy, program and policy. While Aegon Asset Management (Aegon AM) receives various ratings, rankings and awards throughout the year, two key annual assessments include those from PRI and Sustainalytics.	PRI - A+ for Governance and Strategy. Enclosure B is the most recent 2020 Assessment Report.	Yes - MSCI: AAA
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 Fixed Income - Securitised: A+ Property - 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	We have just received our new score and we are currently working on an external communication.
Do you have a Climate Change policy that is integrated into the investment process?	Climate-related risks are evaluated in the firm's proprietary ESG assessment as part of the fundamental research framework. The relevance and materiality of climate risk vary by sector and industry. Emphasis is given to climate-related risks that could affect the issuer's long-term creditworthiness. Risks may include energy transition risk, regulatory risk and climate change related catastrophe risk. In addition to mitigating risk, climate-related opportunities may arise as the analysis can help uncover issuers that are poised to benefit from the transition to a zero-carbon economy.	Yes	Yes
Are Senior Management accountable for ESG or Climate Change risks?	Yes	Yes	Yes
Do you have a dedicated team that considers ESG and Climate Change related factors?	Yes. We have a responsible investment (RI) team that consists of 19 professionals as of June 30, 2022.	Yes	Yes; Investments Vector Sustainability Group

<p>Do you rely on any third parties to provide ESG and Climate Change related analysis/research?</p>	<p>No, we conduct our own proprietary research and use third-party research to supplement it; we do not rely upon it. A strong relationship exists between our RI team and our investment managers, which enables material non-financial information to be incorporated into our investment processes. ESG research reports produced by our RI team sit alongside all the other existing investment research undertaken by our investment managers on a given security.</p> <p>The RI team also provides relevant news and commentary on ESG issues to our investment managers that they might not receive from other sources. However, we do make use of a range of ESG data sources. This includes third-party ESG ratings, company and sector reports and regional reports. These resources have increased significantly in the last few years as the quality of the data available has improved. Resources currently include:</p> <ul style="list-style-type: none"> • Bloomberg • MSCI ESG Manager • Vigeo-EIRIS Datalab • ISS Quickscore • Empirical Research • ISS ProxyExchange • The Investment Association (IA) IVIS • BoardEx • Specialist databases, such as Principles for Responsible Investment (PRI), Carbon Disclosure Project (CDP) and Extractives Industry Transparency Directive (EITI) • Specialist research from brokers and academics • Various specialist journal subscriptions 	<p>Yes. In conducting research, we have access to several external data providers including: MSCI, Sustainalytics, Bloomberg, Eikon, ISS, Glass Lewis, IAS, ZD Proxy, SASB, RepRisk, BoardEx, Si2, Conflict Securities, ISS-Ethix, CDP, Trucost and Four Twenty Seven. The way that we use these research services therefore is as a flag, a starting point from which to conduct our own more detailed analysis that provides for a much more sophisticated understanding of both the company position, and their direction of travel, without the bias of disclosure and tick box approaches.</p>	<p>Yes - MSCI, Sustainalytics, ISS-Ethix, Trucost, Vivid Economics (Planetrix)</p>
<p>Do you create your own ESG or Climate Change related scores?</p>	<p>Yes.</p> <p>We recognize that there is an increasing need from clients, particularly to meet evolving regulatory obligations, to have a more explicit and transparent framework around the integration of ESG factors within investment decision making. As such, beginning in 2020 we implemented a more explicit ESG credit framework into our global research process.</p> <p>The ESG credit framework is a proprietary framework that applies across our global credit research platform with 1 being highest category (lowest ESG risk) and 5 as the lowest category (highest ESG risks).</p>	<p>No</p>	<p>Yes - ESG House Score</p>
<p>Does your company have a policy on equality and diversity in the workplace?</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>
<p>Do you provide any reporting publicly or to clients with regard to ESG and Climate Change related issues? How often?</p>	<p>Yes.</p> <p>ESG reports are currently produced for certain portfolios on a semi-annual basis. ESG reports can also be created for other strategies and clients upon request. We can collaborate with clients to evaluate ESG reporting requirements.</p>	<p>Yes, quarterly</p>	<p>Yes</p>
<p>Do ESG related factors get considered with respect to performance management of investment companies and funds?</p>	<p>Yes</p>	<p>Yes</p>	<p>Yes</p>
<p>Are you signatories of the FRC UK Stewardship Code or equivalent?</p>	<p>Yes. Our approach to responsible investment is consistent with the Financial Reporting Council's UK Stewardship Code which sets out good practice Principles on engagement with investee companies which UK-based institutional investors should aspire to. Aegon AM is a Tier 1 signatory to the Code.</p>	<p>Yes</p>	<p>Yes</p>

Engagement

Activity	Aegon Pension Corporate Bond Fund Buy & Hold	Aegon Pension Long Corporate Bond Fund Buy & Hold
How many engagements have you had with companies in the past 12 months?	<p style="text-align: center;">Year to 30/06/22</p> <p style="text-align: center;">Total number of engagements: 41</p> <p style="text-align: center;">Environmental topics: 11</p> <p style="text-align: center;">Social topics: 9</p> <p style="text-align: center;">Governance topics: 18</p> <p style="text-align: center;">General disclosure: 3</p>	<p style="text-align: center;">Year to 30/06/22</p> <p style="text-align: center;">Total number of engagements: 27</p> <p style="text-align: center;">Environmental topics: 9</p> <p style="text-align: center;">Social topics: 10</p> <p style="text-align: center;">Governance topics: 6</p> <p style="text-align: center;">General disclosure: 2</p>
How many engagements were made regarding climate change?		
How many engagements were made regarding board diversity?		
How many engagements were made regarding waste reduction?		
How many engagements were made regarding financials?		
How many engagements were made regarding other issues?		
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, Standard period engagement with companies, Sending bespoke letters to companies	Active private engagement on specific issues, standard period engagement with companies
Please discuss some of the key engagements and outcomes from the last 12 months.	<p>Engagement with the company providing energy services, was led by us and two other investors, supported by the IIGCC CA100+ Working Group. The engagement is focused around taking necessary action on climate change and is based on a long-term relationship. To date we had a number of meetings with E.ON representatives to help them improve on the results of the C100+ Net Zero benchmark. The company has been positive and responsive to engagement and has shown good progress since we started engaging them in 2019: it defined short, medium and long-term climate targets, linked remuneration to sustainability criteria, including its climate targets and improved its CDP score. E.ON is now implementing the targets per Business Unit and to combine them with measurable action. We will monitor this process and request more ambition on short-term targets. Climate policy engagement is also in the focus of further engagement activity as they have been behind in being transparent on this towards stakeholders.</p>	<p>HSBC Bank was identified as the second largest fossil fuel funding bank in UK by the Banktrack report in 2020. We originally contacted them after the Barclays resolution has been filed in 2020 to understand how they would stack up with their transition strategy, as we believed they would be targeted in 2021 by ShareAction. The company was slow to articulate and communicate this strategy and they were targeted as predicted.</p> <p>This engagement was a combination of direct and collaborative engagement to ensure HSBC understood that this is a material business issue and that the company needed to show leadership commensurate with its position as one of the UK's leading investment banks. Clear climate ambitions were needed and an effective engagement with ShareAction to ensure the best outcome.</p> <p>The initial direct engagement resulted in conversation around policy and anecdotal evidence of them considering climate change in their financing decisions, but there was a lack of a clear and measurable strategy to reduce the amount of environmentally damaging activities that were being funded. In February 2021, the Investor Forum arranged a collective engagement to discuss with the CEO, Chairman and Head of Sustainability. This was a direct result of the ShareAction Resolution being tabled at the AGM, which asked for the company to set and publish a strategy for the short, medium and long targets to reduce exposure to fossil fuel assets on a timeline aligned with the goals of the Paris Agreement, starting with coal and to report progress against this strategy from the 2022 annual report. The company was planning to table their own similarly worded resolution at the AGM.</p>
Continued		<p>The resolutions appeared to be reaching the same outcome, however, neither side seemed willing to compromise. This led to several communications from the Investor Forum with ShareAction and HSBC, as well as direct communications between AAM and both of the parties.</p> <p>The outcome of engagement resulted in HSBC outlined a strategy, which was a starting point although light on details of targets. It committed to disclosing progress and updating shareholders on any further target setting taking place. The company would not be issuing sector-wide exclusions or limits and instead will proceed on a client-by-client basis with escalation policies if any fail to make progress on their net zero ambitions. Success was made in ShareAction withdrawing its resolution prior to the AGM to enable a clear mandate to the company management via their own resolution.</p> <p>This has continued to progress with the company providing an update via the Investor Forum in December 2021 where the company outlined a coal phase-out policy. In terms of our internal milestones, this is a milestone 3 – there is demonstrable progress being made but we will continue to monitor and engage to encourage further enhancements of their transition plan.</p>

Voting

Activity	Aegon Pension Corporate Bond Fund Buy & Hold	Aegon Pension Long Corporate Bond Fund Buy & Hold
Do you conduct your own votes?	Although not applicable to this fund, all voting decisions and activity is undertaken in-house although third-party on-line systems are used to process our voting instructions.	Although not applicable to this fund, all voting decisions and activity is undertaken in-house although third-party on-line systems are used to process our voting instructions.
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?	Not applicable to this fund	Not applicable to this fund
How many times did you vote in favour of management?	Not applicable to this fund	Not applicable to this fund
How many times did you vote against management?	Not applicable to this fund	Not applicable to this fund
How many votes did you abstain from?	Not applicable to this fund	Not applicable to this fund
Please discuss some of the key votes and outcomes from the last 12 months.	Not applicable to this fund	Not applicable to this fund

Other	Aegon Pension Corporate Bond Fund Buy & Hold	Aegon Pension Long Corporate Bond Fund Buy & Hold
Do you monitor the carbon emission levels or similar of the underlying companies in the fund?	No. However, while we do not currently report carbon emission levels for this fund, we can produce them upon request.	No. However, while we do not currently report carbon emission levels for this fund, we can produce them upon request.
What is the target turnover rate for the portfolio?	The fund does not have a target turnover rate, but over the last 12 months the turnover rate has been approximately 45%.	The fund does not have a target turnover rate, but over the last 12 months the turnover rate has been approximately 25%.
What was the actual turnover rate over the last 12 months?	As of June 30, 2022, turnover was 30.72%	As of June 30, 2022, turnover was 17.46%

Engagement

Activity	BG IF Diversified Growth Fund	Standard Life GARS Pension Fund
How many engagements have you had with companies in the past 12 months?	36	65 of which 8 were priority
How many engagements were made regarding climate change?	4 (11%)	5 priority or 62.5% (27 non priority or 47.3%)
How many engagements were made regarding board diversity?	3 (8%)	0
How many engagements were made regarding waste reduction?	0	1 priority or 12.5%
How many engagements were made regarding financials?	2 (6%)	0
How many engagements were made regarding other issues?	27 (75%)	2 priority or 25%
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
Please discuss some of the key engagements and outcomes from the last 12 months.	<p>Greencoat UK Wind PLC (30 June 2022)</p> <p>Objective: The board of Greencoat Wind approached us to discuss the outcome of the negotiated updated terms of the investment management agreement. We shared our feedback on the proposed refreshment of the agreement. We used this opportunity to understand the board's engagement regarding the investment manager's takeover by Schroders.</p> <p>Discussion: We communicated our overall support for the proposed changes - we welcome the additional fee step down based on NAV - but fed back on two specific areas. We expressed our strong preference for a lower management fee for this vehicle, and we sought details on the board's approach to the investment manager takeover by Schroders. Second, while we acknowledge the challenge for the board in finding an alternative management team with similar expertise, we encouraged the board to keep in mind a 'plan B' should the need arise to tender for an alternative manager.</p> <p>Outcome: No subsequent shareholder voting was required to support the management agreement.</p>	<p>Credit Suisse (Switzerland)</p> <p>In the lead-up to the company's AGM in April 2021, the company issued a Q1 trading update with a pre-tax loss of CHF 757m. The results were impacted by a CHF 4.4bn charge in respect of the default on margin calls of USbased hedge fund, Archegos. This followed the collapse of Greensill Capital, one of the world's biggest providers of supply-chain finance, which was unable to repay a \$140m loan owed to Credit Suisse. Prior to the AGM, we engaged with the company and indicated that, to reflect our serious concerns, we intended to vote against the re-election of Andreas Gottschling, Chair of the Risk Committee, given his accountability for risk oversight. On the day of the AGM, the company announced that he would no longer stand for re-election.</p>

Voting

Activity	BG IF Diversified Growth Fund	Standard Life GARS Pension Fund
Do you conduct your own votes?	Yes	Yes
Do you use a third party to vote on your behalf?	No	No (We use a third party platform, ISS Proxy Exchange, to make vote instructions)
How many votes were proposed across the underlying companies in the fund?	1387	162
How many times did you vote in favour of management?	1154 (83%)	98
How many times did you vote against management?	38 (3%)	18
How many votes did you abstain from?	11 (1%)	1
Please discuss some of the key votes and outcomes from the last 12 months.	<p>GREGGS PLC (17 May 2022) We voted against the remuneration report due to concerns over executive pay increases and misalignment of pension rates.</p> <p>CBRE GROUP INC (18 May 2022) We opposed the shareholder resolution to lower the ownership threshold to call a special meeting as we were comfortable with the current 25% threshold in place and do not believe that lowering it would be reasonable. Ahead of voting, we had an engagement call with the company to discuss the proposed agenda. We were satisfied to learn about the company's efforts to engage with their holders, including the proponent, who according to the company, did not have any particular concerns over CBRE but backs a lower threshold out of principle. We intend to follow up with the company later in a year to speak about governance developments.</p>	<p>The Kroger Co. - 23/06/2022 Proposal Description - Report on Human Rights and Protection of Farmworkers How you voted - Against Rationale - While shareholders would benefit from increased transparency on the human rights risks the company is already in the process of addressing this. Kroger have committed to publishing an updated Human Rights Due Diligence framework later on this year. Therefore a vote in favour of this resolution is not warranted at this time. Outcome - Fail</p> <p>Microsoft Corporation - 30/11/2021 Proposal Description - Report on Implementation of the Fair Chance Business Pledge How you voted - Against Rationale - In light of the measures already undertaken by Microsoft and as evidenced by the success of these measures within the hiring process already reported by the company we believe that this proposal isn't warranted at this time. Outcome - Fail</p>

Other	BG IF Diversified Growth Fund	Standard Life GARS Pension Fund
Do you monitor the carbon emission levels or similar of the underlying companies in the fund?	Yes	Yes where these are directly held via equities or credit.
What is the target turnover rate for the portfolio?	We do not have target turnover rates.	Not applicable for this fund
What was the actual turnover rate over the last 12 months?	Not provided	168% or approximately 7 months