The Mouchel Business Services Limited Pension Scheme Final Salary Section ('Scheme') Implementation Statement

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering the Mouchel Business Services Limited 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 2021 and the changes made were predominantly for regulatory reasons relating to the Environmental, Social and Governance (ESG) aspects of investment, corporate governance and voting. This updated SIP came into force from 23 September 2020.

A copy of the current SIP signed and dated September 2020, can be found here:

SIP web link to be added

This Implementation Statement covers the Scheme's year from 1 April 2020 to 31 March 2021 (the "Scheme Year"). It sets out:

- how, and the extent to which, in the opinion of the Trustee, the Trustee's policies on exercising rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments have been followed over the Scheme Year; and
- the voting behaviour by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of the services of a proxy voter.

The Trustee has considered the Pensions and Lifetime Savings Association' Implementation Statement Guidance when preparing this Implementation Statement.

2. Background to voting practices and procedures

The Trustee is responsible for the investment of the Scheme assets. Where it is required to make an investment decision, the Trustee always receives advice from the relevant advisers first. In doing so, this ensures that it is appropriately familiar with the issues concerned. The Trustee also sets the investment strategy and general investment policy of the Scheme but has delegated the day-to-day investment of the Scheme's assets, within pre-defined constraints, to professional Investment Managers. The Trustee, with advice from its advisers, appoints and monitors the Scheme's Investment Managers.

The Scheme invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Investment Managers where the Scheme's investments are pooled with other investors. Direct control of the voting rights and the process of engaging with the companies that issue these underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to those underlying Investment Managers.

The Trustee believes it is appropriate to delegate voting and engagement decisions to its Investment Managers in order to achieve an integrated and joined up approach to ESG factors, voting and engagement. The Scheme's investment managers have confirmed that they have signed up to collaborative investor engagement initiatives which also include the Climate Action 100+ initiative for certain managers. The Investment Managers consider ESG factors as part of the investment decisions being taken on behalf of the Trustee and the Trustee is satisfied that the Investment Managers can also take account of direct engagement or other factors relating to any voting or engagement and respond to these (as appropriate). The Trustee has therefore not sought to influence voting behaviours and does not intend to change its position at this time.

3. How and the extent to which, in the opinion of the Trustee, the Trustee's policies on exercising rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments have been followed over the Scheme Year

The Trustee's policy on exercising rights (including voting rights) attaching to the Scheme's investments is set out in full in the SIP. Broadly, the Trustee's policy is that, whilst it retains the use of voting (and other) rights attached to its mandates, the Investment Managers are responsible for exercising rights and voting on their underlying holdings. During the Scheme Year, the Investment Managers exercised their rights (including voting rights) attaching to the Scheme investments. On that basis, the Trustee is satisfied that its policy has been followed.

All the Investment Managers follow an appropriate ESG and stewardship policy when exercising their rights. On behalf of the Trustee, monitoring these policies was carried out through regular investment and operational due diligence reviews and meetings by the Trustee's investment adviser, with any important updates communicated to the Trustee over the Scheme Year. The Investment Managers have confirmed that throughout the year they have followed their ESG and stewardship policies when exercising their voting rights.

The Trustee's policy on undertaking engagement activities in respect of the Scheme's investments is set out in full in the SIP. Broadly, the Trustee's policy is that the Investment Managers are responsible for undertaking engagement activities, although the Trustee has noted its preference for the Investment Managers to engage with companies rather than boycott particular shares or companies. The Trustee also expects the Investment Managers to engage with issuers of debt or equity to improve their medium- to long -term performance. Examples of the Investment Managers' engagement activities are described later in this document. On that basis, the Trustee is satisfied that its policy has been followed.

The Trustee with the help of its investment adviser has also engaged with the Investment Managers directly on matters concerning issuers of debt or equity by monitoring the performance of the Investment Managers against their agreed performance objectives at each of the quarterly Trustee and Investment Committee meetings during the Scheme Year as well as holding review meetings with some of the Investment Managers.

More recently over 2021 (after the Scheme year-end) the Trustee has attended a training session covering ESG risks and their implications for the Scheme assets. Following this session the Trustee completed an ESG beliefs survey focused on ascertaining views on ESG factors across a range of topics.

4. Trustee's conclusions on voting & engagement

The Scheme's asset allocation is split into two key components. The first component, Growth Asset, invest in a diversified range of return-seeking assets, including equity, multi-asset, return seeking credit and alternatives. The second component, Matching Assets (including Structured Equity), is focussed on risk management comprising gilts and derivative instruments (liability hedging and Structured Equity) alongside high quality credit strategies to match pension payments.

The Trustee has reviewed the voting and engagement activity undertaken by the Investment Managers. Most of the voting and engagement activity was in relation to the Scheme's Growth Assets, specifically equity mandates during the Scheme Year. Within the Matching Assets, engagement was less prevalent due to the nature of underlying investments held, with limited or no opportunity to undertake such engagement. The key areas the Trustee notes from the voting and engagement activity across the Scheme's Investment Managers are set out below:

- Most managers were able to provide evidence of high levels of engagement activity.
- Where relevant managers demonstrated high levels of voting rights being acted on and sufficient challenge to management.
- Key areas of focus for managers over the Scheme Year included environmental issues and climate change in particular. Executive pay and board diversity were the other main themes identified.
- Within the credit mandates, there was particular focus on climate change related risks, including discussions with companies on their carbon emissions along their supply chain.
- Challenge to management was demonstrated through votes against management and each relevant underlying Investment Manager demonstrated very high levels of voting rights being acted on.
- In relation to the liability hedging and Structured Equity mandates, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and those used when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors as well as ESG scores for counterparties are regularly monitored by the relevant Investment Managers.

The Trustee is satisfied that the voting and engagement activity undertaken by the underlying Investment Managers are in line with the Trustee's policies contained in the SIP and that no changes are required to these policies at this time. The Trustee will keep the position under review.

5. Growth Assets

5a. Description of voting behaviour on behalf of the Trustee during the Scheme Year

There were 10 managers in the portfolio as at 31 March 2021. However, only allocations which are at or above c.2.5% of Total Portfolio as at 31 March 2021 are considered in detail below:

Manager	Asset Class	Sub Asset Class	Fund	% of Total Portfolio
1	Equity	Global	Morgan Stanley Global Brands Fund	3.8%
2	Multi-Asset	Dynamic Asset Allocation	Threadneedle Dynamic Real Return Fund	3.9%
3	Return Seeking Credit	Broad Bonds	AllianceBernstein Global Dynamic Bond Portfolio	9.2%
4	Alternatives	Insurance Linked Securities	Leadenhall Life Insurance Linked Investment Fund	5.1%

Details of voting statistics on the relevant mandates, where available is set out below:

Equity voting statistics	Morgan Stanley Global Brands Fund	Threadneedle Dynamic Real Return Fund
Total meetings eligible to vote	794	358
Total resolutions eligible to vote	9495	4659
% of resolutions did you vote on for which you were eligible?	100.0%	98.8%
% did vote with management?	71.8%	91.3%
% vote against management?	28.2%	6.3%
% abstained	0.0%	2.4%
% of meetings, for which you did vote, did you vote at least once against management?	7.8%	49.4%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0.3%	n/A

Source: All data in this section has been provided by the relevant Investment Managers.

5b. Engagement examples and most significant votes cast

The Trustee has set out below what each of the Investment Managers identified above consider to be their significant votes and engagement activities.

Asset Class: Equity

Manager 1 - Morgan Stanley Investment Management: Global Brand Fund

Reckitt Benckiser Group Plc

- MSIM have voted **against** the resolution to approve the remuneration report.
- MSIM did not share its voting intentions with any parties internally or externally prior to the vote. They voted against the management on the basis that there were concerns with the short-term and long-term performance metrics of the company.
- The resolution was passed, though MSIM will continue to engage on the topics.
- This vote is considered significant as it is a vote against the management.

RELX plc

- MSIM have voted **against** the resolution to increase the borrowing limit under the Company's Articles of Association.
- MSIM did not share its voting intentions with any parties internally or externally prior to the vote. They voted against the management on the basis that the increase to the borrowing powers is considered as excessive.
- The resolution was passed, though MSIM will continue to engage on the topics.
- This vote is considered significant as it is a vote against the management.

Multi-Assets – Dynamic Asset Allocation

Manager 2 - Columbia Threadneedle Investments Dynamic Real Return Fund

Rio Tinto

- Threadneedle team has engaged with the company on its corporate governance and social risk management aspect over last 12 months;
- The team felt Rio Tinto's destruction of Juukan Gorge in Australia raised many questions around the company's conduct, governance mechanisms and management of relationships with local communities and traditional owners.
- The team led virtual meetings with the company's chairman and Investor Relations Team during the second half of 2020, attended by representatives from multiple investment desks. They have learnt that there have been multiple process changes following the destruction of Juukan Gorge, with more to come over the longer-term. Efforts are focused on reviewing sites and agreements in place with the traditional owner groups. The site-specific risk register has been made more dynamic and institutional memory more robust. An internal employee review is ongoing and a programme is in place to ensure risks around culture are perceived to be as important as risks around health and safety.
- Threadneedle will continue to monitor the situation and review periodically.

Uber Technologies, inc

- Threadneedle team has engaged with the company on its ESG risk management.
- The team assessed the company on ESG risk and deemed it was material, given impending California legislation on employee classification threatened to upend the company's business model.
- The team organised and led four video conferences alongside fundamental analysts and portfolio managers with company management, plus the chair of the board of directors, each with a different primary focus and objective. The team has learnt that Uber has recently placed considerable effort around initiatives and programs to manage and measure ESG risk, which will reduce the company's overall risk profile and may contribute to multiple expansion over time. Interest in investor feedback is high, as is sincerity in improving outcomes for employees and society.

- Threadneedle concluded the engagements with increased comfort in the company's prospects and business model, and the board's commitment to continue enhancements to ESG initiatives and executive compensation.

Return Seeking Credit - Broad Bonds

Manager 3 - AllianceBernstein Global Dynamic Bond Portfolio

Due to the nature of the fund, voting is not relevant hence no significant votes have been provided by the manager. Engagement examples are shown below:

Ecopetrol:

- Ecopetrol is the largest oil company in Colombia and is majority owned by the Colombian Government.
- In February 2021, Ecopetrol announced it was interested in acquiring the controlling 51% stake in ISA (a pan-Latin American power transmission company) from the Colombian Government, for a price set by the prevailing stock market.
- AB's credit and equity team engaged with Ecopetrol to understand:
  - The strategic logic of such an acquisition
  - How they planned to finance the transaction
  - Safeguards regarding governance since the Colombian government owns a controlling stake in both Ecopetrol and ISA
- Ecopetrol commented that they had been working on buying ISA stake for over a year and were very excited about the asset since ISA should grow as more renewable power projects surge, which increases the transmission grid and provides resilient stable cashflows through the economic cycle (compared to Ecopetrol's more volatile cashflows that depend on international oil prices).
- Ecopetrol noted that it planned to fund the ISA acquisition 50/50 with incremental debt and additional equity. The creditor investors saw this as credit positive (since Ecopetrol will increase its stable cashflows funded from equity contributions), while the equity holders thought this was dilutive and ISA would not earn a high enough rate of return compared to Ecopetrol's cost of equity.
- AB analysts noted that there is a secondary benefit for Ecopetrol's credit rating and cost of debt from the ISA deal. Talking with the AB sovereign economist, the Colombian government plans to sell ISA will reduce the Colombian government's 2021 borrowing needs and could improve the Colombian Government's credit rating. Since Ecopetrol is majority owned by the Colombian government, Ecopetrol's rating is constrained by the Colombian Government's rating (Ecopetrol stand-alone rating is rated higher than the Colombian Government's rating), thus an improvement in the Colombian Government's rating will bolster Ecopetrol's rating, which should lower Ecopetrol's cost of debt.
- All related-party transactions need to be scrutinized by external stakeholders, but our analysts feel comfortable with Ecopetrol's acquisition of the controlling stake in ISA due to:
- With 50% of ISA's shares being publicly traded, thus the price Ecopetrol decides to pay should be anchored in a transparent fair value
- Colombia has very strict governance standards for government employees (including personal liability: government officials can be imprisoned if they 'waste government resources') thus AB expect all Ecopetrol/ISA/government decisionmakers to fairly deal with all stakeholders

Overall, AB's credit analysts see the Ecopetrol/ISA transaction as raising, but also answering, governance concerns and see the transaction (with its partial equity funding) as credit neutral to slightly-positive. AB continues to own ECOPET bonds in size.

Alternatives

The alternative nature of these funds means investments tend not to be publicly listed and as such voting is not relevant. As such, no significant votes have been provided by the below managers.

Manager 4 - Leadenhall Life Insurance Linked Investment Fund

Leadenhall's ESG process is embedded in the Investment Adviser's structuring and measurement of risk. As part of this, Leadenhall engage counterparties in discussions around climate change research and measurement, as well as engage in dialogue on social factors and governance. This has evolved over the last 12 months and between research and discussions with counterparties they have more information on risk for our Portfolio Managers to use in making decisions.

Two examples of counter parties Leadenhall have dealt with on ESG was an Australian distributor of life insurance products and a German hybrid insurer/reinsurers. Leadenhall have also included an example of how they have used their due diligence process to highlight governance issue for some Non-Life counterparties. They are reviewed with regards to the strength of their ESG support by each pillar as follows:

Environmental

The main environmental issues with which Leadenhall were concerned, covered how the respective entities impact the environment. In the case of the distributor, as they lack an investment portfolio, this focused on the specifics of their physical operations, with a reduction of commuting and business travel a demonstrable goal. Given the COVID crisis, the distributor had implemented a broader work from process and already had a digital/phone based marketing approach minimising business travel.

The German insurer/reinsurer has an exceptional focus on environmental issues and its parent group majority investor is a signatory to the UN PRI. Leadenhall are comfortable that their investment screening process removes the risk of investments that they may make falling afoul of our environmental goals. They also have an active disclosure of the carbon footprint in their financials and extensive section of their website describing their underwriting and investment policies with regard to sustainability. All of this was shared during the due diligence process.

As noted in prior submissions Leadenhall also continue their participation and sponsorship of the Climate Measurement Standard Initiative in Australia (CMSI). CMSI is an industry-led collaboration between insurers, banks, scientists, regulators, reporting standard professionals, service providers and supporting parties in a first step to provide a common understanding regarding future damage to residential and commercial properties by climate-related phenomena.

Social

Insurance is generally perceived as having a beneficial impact on society, by facilitating industries to operate and providing much needed aid in times of catastrophe.

Non-Life ILS investments is generally viewed as socially beneficial services as it provides financial resources needed to remedy or to contain the impact of a major insurance event. Life insurance in general is a socially beneficial service and in the case of the specific business which Leadenhall were supporting, it promotes the financial stability of families and dependents.

Additionally, Leadenhall reviewed the human resource practices particularly concerning employee development and turnover. They queried and review both parties turnover and training polices and both invest heavily in people resources with training officers and important part of employee development maintain high employee retentions as a result (<20% turnover per annum).

Leadenhall also reviewed the corporate volunteering commitment to establish that such was part of their corporate culture. In the case of the German insurer/reinsurer this also related to their high degree of commitment to the arts and culture. Leadenhall further reviewed their complaint process and use of Net Promoter Score to ensure high quality customer service.

Governance

Insurance is a highly regulated business and Leadenhall reviewed both parties' regulatory frameworks for both prudential and behavioural oversight. The distributor is regulated for behaviour but not prudential oversight and in this case had minimal regulatory findings under their last regulatory audit which was shared with Leadenhall. Similarly, the insurer also discussed the findings under both regimes and shared its regulatory findings.

In the last few years, Leadenhall have seen some issues with governance within a few Floridian counterparties. In 2017, Hurricane Irma made landfall in Florida as a Category 4 hurricane. From due diligences that Leadenhall conducted Leadenhall identified 3 Floridian insurance companies with poor governance practices, especially in their claims handling, loss development and additional loss adjusting expenses (ALAE). After the review Leadenhall declined to participate in investments linked to these counterparties and they have highlighted that until there are significant changes in their governance, they will not be participating in investments linked to their reinsurance programmes.

5c. Use of proxy voters

Manager	Used a proxy voter in the Scheme Year?
1	Yes
2	Yes
3	No
4	No

Additional information on proxy voters

Manager 1 - Morgan Stanley Investment Management: Global Brand Fund

Morgan Stanley Investment Management ("MSIM") has retained ISS to analyse proxy issues and to make vote recommendations on those issues. While MSIM review the recommendations of ISS in making proxy voting decisions, they are in no way obligated to follow such recommendations. MSIM votes all proxies based on its own proxy voting policies in the best interests of each client. In addition to research, ISS provides vote

Manager 2 - Columbia Threadneedle Investments Dynamic Real Return Fund

Proxy voting decisions are made in accordance with the principles established in the Columbia Threadneedle Investments Corporate Governance and Proxy Voting Principles (Principles) document, and our proxy voting practices are implemented through their Proxy Voting Policy. For those proposals not covered by the Principles, or those proposals set to be considered on a case by case basis (i.e., mergers and acquisitions, share issuances, proxy contests, etc.), the analyst covering the company or the portfolio manager that owns the company will make the voting decision. Threadneedle utilise the proxy voting research of ISS and Glass Lewis & Co., which is made available to their investment professionals, and their research team will also consult on many voting decisions.

The administration of their proxy voting process is handled by a central point of administration at our firm (the Global Proxy Team). Among other duties, the Global Proxy Team coordinates with our third-party proxy voting and research providers.

In voting proxies on behalf of their clients, they vote in consideration of all relevant factors to support the best economic outcome in the long-run. Their voting is conducted in a controlled environment to protect against undue influence from individuals or outside groups.

6. Matching and Structured Equity Assets

6a. Description of voting behaviour on behalf of the Trustee during the Scheme Year

Manager	Asset Class	Manager	% of Total Portfolio
1	LDI and Structured Equity	BMO Global Asset Management	62.6%
2	Buy and Maintain Bonds	Insight Investments	9.1%

6b. Engagement examples and most significant votes cast

Due to the nature of the below funds, voting is not relevant hence no significant votes have been provided by the managers.

Manager 1 - BMO Global Asset Management portfolios

BMO portfolios are very different to traditional equity or bond portfolios and so their engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom they have the greatest exposure and to companies whom they feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones.

BMO identifies specific objectives for their engagement with investee companies. They record specific outcomes where objectives are achieved as "milestones". They report these to clients. Each milestone is rated on a three-star scale related to the extent to which BMO assesses it to protect and enhance investor value.

Engagement themes and relevant examples are:

- Climate Change – BMO engaged with HSBC Holdings Plc on their commitment to align their entire financing portfolio to the goals of the Paris Agreement, and to report on progress. This demonstrates clear climate leadership.
- Corporate Governance – BMO engaged with JP Morgan Chase & Co. to address the departure of a long-standing board member, allaying concerns with excessive tenure and overall appropriateness for the role given previous role as Exxon CEO.
- Labour standards – BMO engaged with Lloyds Banking Group Plc. to encourage them to commit to halve carbon emissions linked to financing activities.

Manager 2 – Insight Buy & Maintain Bond Fund 2021-2025

Insight, as a global asset manager, believe that they must take a proactive role in ensuring the long-term sustainability of the markets – this is in their clients' long-term interests, as well as that of wider society. Long-term initiatives include:

- Active engagement with other industry members to ensure their clients' rights and considerations are fully represented, including:
    - Joining the Net Zero Asset Managers initiative, a group of international asset managers committed to supporting the goal of net zero greenhouse gasses. As an organisation, this means they are specifically committing to:
        - As an organisation they are committed to working in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management.
        - Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner.
            - Supporting the acceleration of action, signatories will submit an interim target, within a year of joining the initiative, for the proportion of assets to be managed in line with reaching net zero emissions by 2050 or sooner.

        - Review their interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.
    - Joining the Working Group on Sterling Risk-Free Rates.
    - Participation in climate change related collaborative engagements as an active member of the Climate Action 100+ initiative.
    - Collaboration with peers on a range of issues, such as credit risk and ratings with the PRI initiative.
    - Encouraging issuers to submit their carbon emissions to CDP initiative.
- Development of new sources of repo liquidity - a key issue for pension funds seeking to manage risk efficiently and effectively.
- Challenging the pressure on derivatives users, including pension funds, to post only cash as variation margin on their derivatives transactions - a key issue for pension funds seeking to manage risk effectively over the long term.
- Supported the transition to a low carbon economy by investing in 43 green bonds, and encouraging banks to consider green bond issuance, and through our Advisory Council role with the Green and Social Bond Principles.

Most significant company engagements

ENEL

As part of the CA100+ initiative, Insight continue to encourage Enel to establish measures to mitigate climate risk and adapt the business for a low carbon economy. Collectively, with the other investors, a letter has been sent to the Chair addressing four key areas; disclosure and investor communications, climate competence of the Board, management incentives, and improvement in scenario analysis. ENEL has been responsive and a follow up call with the Chair has been scheduled so Enel's team can present solutions and future plans to improve on the areas addressed.

VOLKSWAGEN

Volkswagen (VW) was a UN Global Compact violator, caused by the Diesel-Emission scandal. Nevertheless, it has been recently relisted as a participant to the UNGC following the successful completion of the monitorship overseen by the US Department of Justice. As a result, MSCI has upgraded VW's ESG rating from CCC to B, subsequently stripping its 'worst-in-class' title and exiting most exclusions list.

Insight has been in close contact with VW and has been monitoring the numerous steps the company has taken to improve product quality, governance and corporate structure. The Insight ESG rating remains a 5, expressing our conservative stance, with still some work to be done on the governance front. However, the positive trajectory and significant improvements play an important role in their ESG view of VW.

Insight engaged with VW during the company's ESG roadshow. The meeting was extremely thorough with the discussion covering a broad array of ESG topics. VW's EV strategy is very coherent, entailing a holistic approach although they need to monitor the company's track record. VW plans to spend €73bn on e-mobility in the 2021-2025 period; this includes EV development, tooling, car software systems etc.

Volkswagen's whistle-blower procedure and separation of teams for sign off of projects and software's are steps in the right direction. The Dieselgate issue is now backward looking but cash payments remain hefty (€2.5bn). On the Governance aspect, KPIs for executive pay are being introduced from this year and their corporate strategy incorporate the monitoring of the company's ESG ratings. VW gave sound qualitative explanations, but Insight would have liked to be provided with more precise data like specific targets, audit process etc.

The engagement confirmed that VW is making genuine efforts towards improving their ESG profile. Overall, it was a positive engagement which left Insight's analysts confident that VW are on the right trajectory. Nevertheless, they need more concrete evidence to see that things have changed materially.

6c. Use of proxy voters

Manager	Used a proxy voter in the Scheme Year?
1	No
2	No