



# Mobius Life

## Stewardship Policy 2022

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**Mobius** Life

## Our story

Mobius Life Limited (Mobius Life) is an authorised unit-linked UK life insurance company. We are an independently owned business committed to helping UK institutional pension schemes and asset managers implement their investment strategies and meet their investment objectives. We offer clients access to an investment platform operating within a life company structure, supported by a wide range of investment services.

Established in 1996, our roots stem from a multi-manager business and in 2014 we refocused our business as an independent institutional platform, whilst preserving our solutions-orientated mindset. This fostered the development of our expertise in supporting solution design and execution for pension schemes. This capability, alongside an appetite to offer clients a bespoke experience has driven our growth; we now invest \*c18.9 billion of assets (31st December 2022) on behalf of DB (Defined Benefit) and DC (Defined Contribution) pension schemes.

Our focus is to build a cost effective solution to help trustees of pension schemes achieve their objectives, shouldering the implementation burden and operational risks for the scheme and their consultants. This allows trustees and their consultants to focus on their investment strategy and understanding asset manager practices.

Our clients typically have a long investment horizon and beyond the moral drivers to ensure good stewardship in their investments, a sustainable approach to investing is necessary in order to meet their goals. We actively engage with our consultant partners to ensure we understand the requirements of their advised pension schemes, adding their requested investments to our fund universe to align with their investment strategy and beliefs.

We are uniquely positioned between pension schemes and asset managers, and we are constantly finding new methods to harness our position to encourage better practice and to facilitate greater transparency for pension scheme trustees. In 2022, we have continued our progress in engagement with asset managers, developing our ESG reporting and working closely with clients to help them meet the developing Task Force on Climate-Related Financial Disclosures (TCFD) requirements.

Further developments in regulation mean trustees must consider how they incentivise asset managers to invest in accordance with their own beliefs on issues such as climate change and board diversity. We have always set minimum requirements on asset managers prior to investing, ensuring they satisfy our criteria as well as from a stewardship perspective. We believe our robust approach to investment governance enables trustees to promote and realise effective stewardship through the platform.

As a testament to our progress, the independent industry judges at the UK Pensions Awards have recognised Mobius Life as the Institutional Platform Provider of the Year for four successive years since 2019.



"We are committed to enabling our clients to make sustainable investment choices by offering solutions that harness the full spectrum of opportunities in our marketplace. Our goal is to empower our clients and we stand ready to meet their distinct challenges."

James Finch  
**Chief Executive Officer**

## Making it happen for our clients

All of our clients are UK registered pension schemes to whom we issue a Mobius Life unit-linked policy. Our policyholders will take advice from an independent consultant and use our platform to execute their investment strategy.

Much of our initial and ongoing communications are with consultants appointed by the pension schemes. Over time, our relationships with the consultant and trustee community have developed, with the trustees' decision to use Mobius Life being supported by consultants.

In our early years of growth, consultants would predominantly advise trustees to use our services for DB pension schemes to help them implement their initial and ongoing advice. Our ability to accommodate a wide range of strategies, including LDI (liability-driven investments) and income distributing funds all in one place has made us extremely attractive to trustees of small and medium sized pension schemes.

As we have grown, asset aggregation has allowed us to negotiate more attractive fees with asset managers and to pass the financial benefits onto our clients. Also the development of our services and increased product range has attracted larger DB and DC pension schemes to use our platform solution. Our capability to build bespoke blended investment structures for clients has helped in this regard, with DC clients now representing around 40% of the total assets under administration.

As a consolidator of assets, governance reporting remains a fundamental part of the service we offer to clients. The ability for a pension scheme to view their portfolio of investments in one place is integral to our solution and we provide an automated report on a daily basis, detailing holdings, unit prices and transactions.

## What makes us stand out...

Over **750** accumulation funds

Over **130** income funds

**75** asset managers

AUA c. **£18.9bn\***

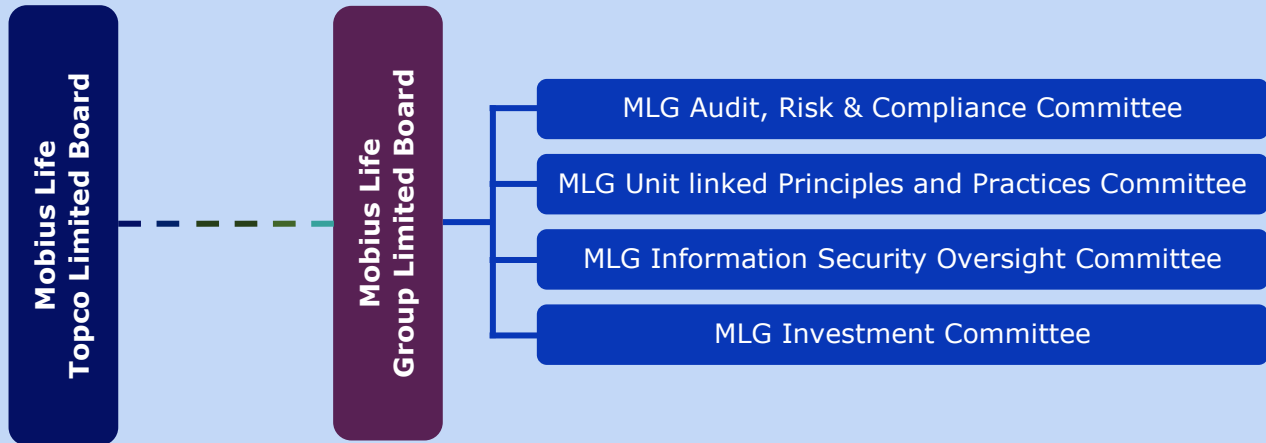
**Continuous** growth of our product range

Source: Mobius Life Limited as at 31/12/22

We provide our clients with comprehensive reporting, from daily asset valuation information to annual reporting on transaction costs, ESG data and TCFD metrics. We have a dedicated Client Relations team to support our clients, their consultants and audit partners with their day to day enquiries. We regularly engage with our clients to discuss ways to improve client outcomes, holding both operational and strategically focused meetings, with client feedback and requirements raised at the appropriate level for consideration. We believe we have a strong understanding of our clients and how we can continue to help them reach their objectives.

## Our structure

Mobius Life Limited is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. We have a rigorous corporate governance framework overseen by the Board, consisting of a majority of independent non-executive directors.



Source: Mobius Life Limited as at 31/12/22

The Board delegates certain functions to sub-committees, without abdicating its own responsibilities. Delegation is formal and involves the following:

- Formal terms of reference are established and approved for each committee of the Board.
- The committees' terms of reference are reviewed once a year.
- The committees are appropriately constituted with due regard to the skills required by each committee.
- The Board establishes a framework for the delegation of authority to management.

As such, the MLG Investment Committee (IC) was established by the Board and is responsible for assisting the Board in discharging their duties relating to the safeguarding of assets and the review and implementation of investment strategy. The committee has investment oversight of all external unit links and internal unit linked funds in accordance with the PRA's Prudent Person Principle investment rules and the FCA's permitted links rules. The committee has oversight of Mobius Life Limited's adoption, alignment and adherence to industry standards related to the principles and practices to asset ownership. As a regulated life insurance company we must undertake our own risk and solvency assessment (ORSA) as set out by the PRA under the Solvency II Directive. The ORSA process links to our risk appetite statements and tolerances for risks to the business and capital planning projections. The aim is to understand and project our risks and solvency capital in a forward looking assessment. This is conducted annually, prepared by our Chief Risk Officer with input from our Chief Actuary and detailed oversight is performed by our MLG Audit, Risk & Compliance Committee.

Employee training is key to ensuring that knowledge and skill development is encouraged through the business to aid the process of responsibility delegation. Our view is that while employee training has been successful, we can always do more and increase its breadth and importance in overall company culture. We will continue to expand this, with a focus on continued professional development.

As a business we continue to make excellent strides in improving diversity and inclusion in the workplace, offering equal opportunities and hiring on the basis of having the appropriate competency for the role. This has been evidenced by the advances made in gender diversity in our workforce. To continue on in our diversity and inclusion efforts, we can confirm that 42% of our workforce in 2022 were made up of women. Over a third of our employees are from a Black, Asian, Mixed or other Minority Ethnic backgrounds. We will continue to work to grow our workforce in line with the ML Group Equal Opportunities Policy. This year, we have extended the scope of our Social & Charity Committees and our Values Committee, aiming to deepen the integration of our efforts to broaden our impact and foster change both within our organisation and beyond.

## Permissible investments

Mobius Life writes unit-linked policy contracts whereby the liabilities to policyholders are 100% matched with assets, which are invested in line with the instructions of a policyholder. Mobius Life does not bear any investment risks on behalf of the policyholder. Investments made available must have a profile and duration that are consistent with policyholder interests.

We expect our clients to work with their consultants to understand their requirements and to undergo an investment selection process which considers the investment and stewardship approaches of a range of asset managers.

Before investing, alongside our investment due diligence, we complete an operational due diligence for each new investment to understand the compatibility with our dealing and operational model. We have a dedicated and experienced due diligence oversight team responsible for the initial and ongoing operational review of funds.

As part of the initial onboarding process for any new investment, we expect every manager to provide their Stewardship Code, or equivalent, and their policies relating to their ESG approach. Failure of the manager to meet any of our minimum requirements for investment would prevent us from investing on behalf of our clients. This is the strongest incentive we can give to asset managers to encourage appropriate stewardship.

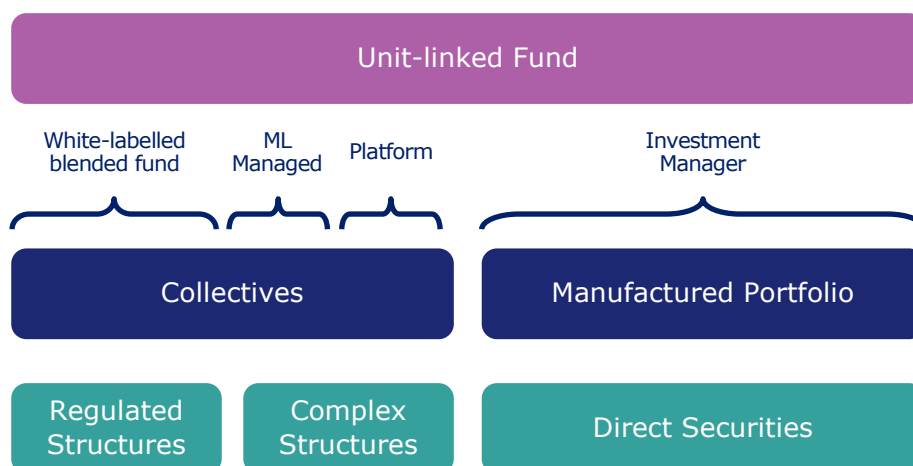
The majority of our investments are in authorised structures (e.g. UCITS, NURS) that are classified as permitted links in accordance with the FCA's Conduct of Business Sourcebook (COBS). These provide a framework for investments acceptable for a unit-linked life insurance policy and are a requirement for our DC clients. The IC maintain and monitor a pre-approved range of fund structures that satisfy the permitted links guidance. The permitted links rules are highly prescriptive with only certain fund structures

considered acceptable - those with stringent risk controls, investment restrictions and liquidity requirements. There are exceptions; the rules have developed to allow for other structures to be allocated to in certain allocations where suitable, including the Long Term Asset Fund (LTAF). Mobius Life are close to developments in this space, working with DC clients to incorporate private markets allocations.

For DB clients, the detailed permitted links rules do not apply, which in turn allows us to explore non-standard structures. In these instances we undertake enhanced due diligence on new investments to understand the associated risks, including but not limited to valuation uncertainty and liquidity risk. In doing this due diligence, Mobius Life are compliant with the expectations outlined under the Prudent Person Principle (PPP).

Mobius Life also offer a small range of funds managed internally by our Investment Team, who have discretion over the selection of underlying investments. Mobius Life Managed funds hold collective investment schemes or other reinsured funds. These funds are managed in accordance with Mobius Life's investment philosophy and processes, where any proposed investments undergo a full investment due diligence and must be approved by the IC before investment.

Mobius Life also work with asset managers to provide unique solutions to the marketplace. Where Mobius Life manufactures a solution for an asset manager, this takes place through an investment management agreement (IMA). In order to appoint an asset manager we undertake rigorous due diligence to understand their ability to implement the specific strategy, ensuring they are fit for purpose and have the appropriate investment processes in place. In doing so, we take into account our regulatory obligations and ensure we put in place prudent investment guidelines for the portfolio such that assets are invested in accordance with PPP.



## Asset manager engagement

We are dedicated to empowering investment opportunities, facilitated through a fund range that allows trustees to select funds that align with their values, goals, and policies. Positioned uniquely between asset owners and asset managers, we leverage of our position to provide trustees with the essential information they need from their managers, enabling them to create both compliant and meaningful disclosures. We believe that pension schemes should seek and adopt stewardship practices that suit their specific needs, align with the investment styles of their fund managers, and address the issues that are pertinent to their chosen stewardship approach. Transparent data has historically been difficult to come by, so our stewardship journey has centred around our ambition to empower schemes to report with more confidence through better data.

As part of our ongoing due diligence, we hold regular meetings with our asset managers to review and challenge data and deliverables, implementing a comply or explain policy on information that we require. Monitoring and oversight of the data we receive at regular checkpoints often means we have a continuous dialogue with our managers, which naturally allows us to collaborate more effectively and concentrate on areas of challenge. At a minimum, we require asset managers to provide an annual attestation of compliance for each fund that we invest in, to confirm it continues to operate in line with its investment objectives and governance requirements.

A key area of activity for us in 2022 was the focus on developments to our overall reporting, with particular emphasis on advancing our commitment to achieving net-zero objectives for our clients. Since the introduction of our TCFD reports for our clients in 2021, we have continued to support our clients with measuring and monitoring climate-related metrics. These range from the foundational metrics of scope 1,2 & 3 emissions to extending this to reflect data quality which includes reported, estimated and unavailable data. Overall, we saw a significant increase in the volume of meaningful metrics received, as well as an improvement in the standardisation of responses provided by managers. From the responses to our TCFD questionnaires the year before, we found that variations in methodology hindered the objectivity of the metrics we received. For that reason, a key consideration this year was looking into the transparency of units, methodology and sources used in the production of metrics. We found that this reduced subjectivity in interpretation and enhanced our oversight in return.

As part of our ongoing review of the assessment and monitoring of managers, we took the decision to digitalise the data collection and reporting process, to automate our reporting capabilities. Improving digital production and the efficiency of information delivery is one of our key pillars at Mobius, bolstered by the unwavering support of our reporting and technology teams. Although we are still in the early stages of our automation journey, we've received positive feedback from our asset managers and the advantages it brings to its users. We've witnessed heightened levels of sophisticated output, improved information quality and consistency, and an accelerated reporting cycle. For instance, when the Department for Work and Pensions (DWP) issued new stewardship guidance in October 2022, we were able to swiftly and efficiently update our ESG questionnaire to align with these changes. This meant our clients were well-equipped to meet their obligations in the backdrop of changing regulation.

### ESG questionnaire responses in 2022

40 questions

56 asset managers

500+ funds

## Collaborating with the industry

Being proudly independent means our clients' emerging needs dictate our priorities. This commitment has formed the foundation for our solutions, whereby we believe working in tandem with our clients often drives the best solutions. This can range from providing access to a wide range of strategies across traditional, LDI and alternatives or building bespoke solutions to respond to specific client needs. Our heritage has been rooted in breaking down the barriers in market functions, which can vary from simplifying implementation processes to facilitating single source reporting, all of which help to alleviate much of the burden for our managers, clients and advisors. Through our governance, aggregation of assets and our relationships with asset managers, we are able to remove these sorts of implementation hurdles that typically challenge pension schemes.

The LDI crisis in Autumn 2022 highlighted the importance of liquidity management for pension schemes. The significance of operational access to liquid assets came to the forefront, inducing immediate pressure on collateral management. Simultaneously, this recognised the benefits of managing LDI and assets "under one roof". For our clients, having a unified investment platform meant they were able to receive quick updates on true collateral positions and communications on developments with LDI managers. Together, we were able to manage risks effectively and provide comfort during times of market stress. We have also begun to consider collateral waterfalls to resolve liquidity and collateral management risks.

We have continued to make further progress in our manufactured fund offerings. We supported a Master trust in delivering a sustainable default strategy and in turn recognised our role in the market through solving challenges that are unique. We have found that delivering manufactured solutions provides our clients with an efficient and flexible structure to target bespoke sustainability

outcomes. Overall, we have a continuous dialogue with asset managers to create the right product for our clients and provide solutions to the challenges that emerge today.

If there's one clear takeaway from 2022, it's the heightened prominence of responsible investment and the transition towards a greener economy, particularly among trustees. The shift in the market environment, transitioning from an era of low inflation and relatively stable growth to one marked by increased market volatility, underscores the importance of prudent risk diversification. At the forefront of our discussions with clients, we have been focusing on the integration of illiquid assets for DC schemes and Master trusts. Whilst our industry has begun considering the benefits of the asset class, addressing the operational challenges that traditionally hinder DC schemes from venturing into asset classes like infrastructure and private impact has been a priority.

Consequently, the integration of the LTAF into DC plans and its overall product design have been central themes in our engagements with industry stakeholders. We have collaborated closely with various asset managers during their FCA proposals, with many initiating early discussions with the FCA ahead of planned formal proposals. We are committed to continuing our support for the momentum surrounding this investment vehicle.

"We support the sustainability goals of our clients and private markets play a key role in this journey. We value the introduction of the LTAF as a regulated vehicle to encourage investment into long-term assets, and are working with DC clients to build private markets into their portfolios."

Joshun Sandhu

**Director, Asset Manager Solutions**

## Voting

We expect consultants to understand the decision-making approach of the funds they advise our clients to allocate to. Similarly, we expect them to understand what this means for the voting approaches of their chosen asset managers. We hold units in funds rather than shares in underlying companies. Therefore, we have effectively delegated voting responsibility to the asset managers and so our priority when investing is to ensure asset managers have a coherent voting policy in place. We expect asset managers to vote in line with their documented voting policy. In the comparatively rare scenario that we hold direct securities, these are typically done via an IMA with an investment manager. In these instances we will ensure that the voting practices of the asset manager are reflected as part of the IMA with responsibility delegated to the asset manager where appropriate.

There are a few methods we can follow in order to improve outcomes and transparency in regards to voting. We work with our clients to either make particular funds available or use our infrastructure to build investment products to accommodate a particular approach to voting. For example, we have explored holding direct securities and appointing an external party to vote on them for specific clients. A key driver of the applicability of such a product will be the costs associated, particularly for clients working with stricter cost constraints. Increasingly an important role for us is to provide transparency to the voting and engagement practices of asset managers. Our ESG questionnaire tackles this directly at the fund level, asking asset managers for a breakdown of votes made for and against management while identifying when asset managers have abstained from votes or used a third party. We also ask for more detailed information around some of the key votes and engagements to provide further context to our clients.

The majority of funds on the platform will approach stock lending within UCITS rules, including restrictions on eligibility and diversification of collateral. As part of the ESG questionnaire, we ask for opening and closing stock lending balances as well as asking whether funds report on the percentage of their holdings that have been voted on. We have included these questions in order to identify scenarios where stock lending practices are having a negative impact on an asset manager's ability to enact their voting policy. We have not experienced this yet in our engagements with asset managers.

As part of our ongoing standards of best practice, we decided to draw emphasis towards significant votes within our due diligence of asset managers, to ensure our clients stand ready amongst the backdrop of regulatory changes. We consider this approach to be pivotal in going the extra mile to differentiate between managers in their efforts regarding stewardship.

“Capital allocation must align financial goals with sustainable outcomes in order to tackle the biggest systemic risks we face. Long term portfolio returns will be driven by embracing sustainable opportunities rather than solely focusing on risk exclusion ”

Mithesh Varsani

**Chief Investment Officer**



## Conflicts of interest

Uniquely, we do not represent proprietary funds and therefore avoid conflicts of interest associated with proprietary fund providers. Mobius Life do not offer advice to policyholders and do not advise investment managers on their investments. It is therefore unlikely that a conflict of interest would arise between the investment interests of our policyholders and the position of the Mobius Life Group. Our Conflicts of Interest Policy is available on request.

Mobius Life's policyholders are classified as professional investors, except for those with less than £10m in assets or fewer than 50 members. All of our policyholders are UK registered pension schemes who will therefore make investments on the Mobius Life platform following advice from an external authorised entity. In the rare instance that Trustees have not taken advice, they will sign confirmation that they have not taken advice from Mobius Life.

As part of our governance process, all Mobius Life staff receive Conflicts of Interest Training upon joining the business and thereafter annually. Any perceived, potential or actual conflicts are recorded on our conflicts register. All Mobius Life staff are responsible for identifying and escalating any conflicts they become aware of.

Conflicts of interest occur where one or more persons or entities have competing interests and the serving of one interest may involve detriment to another. Mobius Life's policy applies to the extent that a conflict of interest gives rise to the risk of one or more of the following:

- i. Mobius Life being likely to make a financial gain, or avoid a financial loss, to the potential detriment of a client;
- ii. Mobius Life and/or an employee having a financial or other incentive to favour the interest of one client or group of clients over the interests of another client or group of clients;
- iii. Mobius Life and/or an employee failing to fulfil a duty of care owed to another person or entity such as a client;
- iv. Mobius Life and/or an employee failing to comply with legal or regulatory obligations;
- v. an employee's professional judgement and objectivity being compromised and/or hindering the proper discharge of their duties and responsibilities;
- vi. an employee engaging in unethical conduct; and/or
- vii. Mobius Life obtaining improper advantage or treatment or giving rise to the appearance of impropriety and reputational damage.

We expect asset managers we invest with to have the necessary policies in place in order to address and mitigate potential conflicts of interest that arise in their investment and stewardship activity. We believe that our independence and our focus on offering the most efficient investment platform solution to our clients has successfully kept conflicts of interest at bay. We have seen conflicts of interest arise from platform ownership structures where the ownership lies with an asset manager or consultant. In these instances, pension schemes may be limited to investment products managed by that asset manager or advised by that consultant.





## Speak to our experts

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