

MOTOR INSURERS' BUREAU PENSION AND 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 2022. 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.

Throughout the scheme year, the Trustee was changed to a Professional Sole Trustee and this Trustee complies with the APPT Code on continuing professional development which includes training on investment related matters and has direct access to internal investment experts.

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

In the 12 months ending 31 December 2022, there was one single adjustment to the investment strategy in response to the turmoil caused by the gilt crisis in the United Kingdom. This adjustment entailed a routine rebalance aimed at maintaining optimal portfolio allocation and aligning with our clients' long-term objectives. The last review of the Scheme's investment strategy can be found below in this section.

Based on the agreed investment objectives, the Trustee implemented a new investment strategy in June 2021. The target timeframe to achieve a fully funded position was agreed to be 5 years from the inception of the strategy i.e. June 2026.

The new strategy focused on reducing the Value at Risk ("VaR") of the Scheme by increasing diversification of the return seeking assets (i.e. lowering the reliance on the equity premium as a source of return), and increasing the interest rate and inflation hedge ratios. With greater hedge ratios, a larger proportion of the interest rate and inflation risk is mitigated, which serves to stabilise the Scheme's funding level.

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 update in March 2022, to account for the investment strategy change in June 2021 and to update it to include the current investment structure (mentioned below). The SIP also includes the 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 Trustee's 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.

Further to the regulatory requirements, the SIP review also included an update on how the Trustee considers Environment, Social and Governance (“ESG”) factors in the appointment or the evaluation of investment managers.

Scheme’s Investment Structure

Over the course of the year, the Scheme’s assets were invested via Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers.

As such, the Trustee has no direct relationship with the Scheme’s underlying investments managers.

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.

Overall, the Trustee believes that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.

Engagement

The Scheme is invested solely in pooled investment funds. The Trustee’s policy is to delegate responsibility for engaging with and monitoring investee companies as well as exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

Mercer’s Manager Research Team (“MMRT”) receives regular reporting from the underlying investment managers / funds that includes information on the voting activity undertaken on behalf of the pooled fund. This information is reviewed on a periodic basis to ensure that the actions taken by the investment manager are consistent with its stated policies and that these are in the best long-term interests of the pooled fund investors. If required, MMRT will raise any concerns directly with the investment manager and notify the Trustee if appropriate.

The Trustee, in conjunction with their advisors, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. If the Trustee has any concerns, they will raise them with Mercer verbally or in writing.

In particular, the Trustee will monitor:

- The performance of the investment manager / fund relative to its stated performance objective(s). Whilst performance over all time-periods will be considered, the focus will be on the medium to

long-term performance of the investment manager / fund. Where performance has failed to meet expectations and/or the MMRT's views on the future expectations of performance has changed, the underlying investment manager / fund may be replaced with a suitable alternative;

- Performance of the overall strategy relative to the investment objective. Where performance has underperformed the objective, the Trustee must understand the reasons for the underperformance and, where appropriate, make any necessary changes to the strategy;
- It is recognised that the level of investment risk will change from one period to the next due to factors out with their control, e.g. general market movements. The level of risk will be monitored on a regular basis to ensure that the Scheme is not undertaking an excessive level of risk and that these risks are balanced appropriately;
- The ESG and Stewardship policies of the underlying investment manager are available for the Trustee to review. As the Scheme invests in pooled funds, the Trustee recognises that its ability to influence the stewardship policies of the underlying investment manager is limited. As such, any changes to the Trustee view on these matters, or a change in the stewardship policies of the investment manager, could potentially result in the investment manager being replaced.

The Trustee also receives regular performance reports from investment managers (this includes ratings, both overall and specific to ESG, from the investment consultant) and meets them on a periodic basis to review and discuss the operation of their portfolios, including past and future policy decisions.

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 reporting period. From October 2022 Trustees are required to identify key themes and priorities as part of what constitutes a significant vote. Significant voting activity is reported annually to the Trustee. Where the Trustee is specifically invited to vote on a matter relating to a policy or contract held with any of the Scheme's investment managers, the Trustee will exercise their right in accordance with what they believe to be in the best interests of the majority of the Scheme's membership.

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 following tables set out a summary of the key voting activity over the financial year, and details on the voting processes and beliefs of each manager:

Fund	Eligible resolutions	Eligible resolutions voted	Votes cast	
			Votes against management endorsement	Abstentions
Columbia Threadneedle – Multi Asset Fund	6,162	6,032	476	126
JP Morgan - Emerging Markets Opportunities Fund	1,220	1,189	90	22

Columbia Threadneedle – Multi Asset Fund

Columbia 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.

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. The manager have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities. Additionally MSCI ESG research is also considered in the process.

The manager provided 10 significant votes over the period from 2021 to 31 December 2022. There was no communication ahead of the vote in any voting decision.

- **General Motors Company, 13 June 2022:** Columbia Threadneedle voted in favour of the Report on the Use of Child Labor in Connection with Electric Vehicles, driven by their support for enhanced ESG risk management disclosures. The resolution did not pass and the manager sees that an active stewardship (engagement and voting) continues to form an integral part of our research and investment process. At the date of the meeting, the approximate size of fund's/mandate's holding was 0.01%.
- **The TJX Companies, Inc. 7 June 2022:** Columbia Threadneedle voted in favour of the Report on Assessing Due Diligence on Human Rights in Supply Chain, driven by their support for enhanced ESG risk management disclosures. The resolution did not pass and the manager sees that an active stewardship (engagement and voting) continues to form an integral part of our research and investment process. At the date of the meeting, the approximate size of fund's/mandate's holding was 0.35%.

- **The TJX Companies, Inc., 7 June 2022:** Columbia Threadneedle voted in favour of the Report on Risks from Company Vendors that Misclassify Employees as Independent, driven by their support for enhanced ESG risk management disclosures. The resolution did not pass and the manager sees that an active stewardship (engagement and voting) continues to form an integral part of our research and investment process. At the date of the meeting, the approximate size of fund's/mandate's holding was 0.35%.
- **Alphabet Inc., 1 June 2022:** Columbia Threadneedle voted in favour of the Report on Metrics and Efforts to Reduce Water Related Risk, driven by their support for enhanced ESG risk management disclosures. The resolution did not pass and the manager sees that an active stewardship (engagement and voting) continues to form an integral part of our research and investment process. At the date of the meeting, the approximate size of fund's/mandate's holding was 0.8%.
- **Alphabet Inc., 1 June 2022:** Columbia Threadneedle voted in favour of the Commission Third Party Assessment of Company's Management of Misinformation and Disinformation Across Platforms, driven by their support for enhanced ESG risk management disclosures. The resolution did not pass and the manager sees that an active stewardship (engagement and voting) continues to form an integral part of our research and investment process. At the date of the meeting, the approximate size of fund's/mandate's holding was 0.8%.
- **Alphabet Inc., 1 June 2022:** Columbia Threadneedle voted in favour of the Report on Climate Lobbying, driven by their support for enhanced ESG risk management disclosures. The resolution did not pass and the manager sees that an active stewardship (engagement and voting) continues to form an integral part of our research and investment process. At the date of the meeting, the approximate size of fund's/mandate's holding was 0.8%.
- **Amazon.com, Inc., 25 May 2022:** Columbia Threadneedle voted in favour of the Report on Protecting the Rights of Freedom of Association and Collective Bargaining, driven by their support for enhanced ESG risk management disclosures. The resolution did not pass and the manager sees that an active stewardship (engagement and voting) continues to form an integral part of our research and investment process. At the date of the meeting, the approximate size of fund's/mandate's holding was 0.62%.
- **Amazon.com, Inc., 25 May 2022:** Columbia Threadneedle voted in favour of the Commission Third Party Report Assessing Company's Human Rights Due Diligence Process, driven by their support for enhanced ESG risk management disclosures. The resolution did not pass and the manager sees that an active stewardship (engagement and voting) continues to form an integral part of our research

and investment process. At the date of the meeting, the approximate size of fund's/mandate's holding was 0.62%.

- **Amazon.com, Inc., 25 May 2022:** Columbia Threadneedle voted in favour of the Report on Lobbying Payments and Policy, driven by their support for enhanced ESG risk management disclosures. The resolution did not pass and the manager sees that an active stewardship (engagement and voting) continues to form an integral part of our research and investment process. At the date of the meeting, the approximate size of fund's/mandate's holding was 0.62%.
- **The Walt Disney Company, 9 March 2022:** Columbia Threadneedle voted in favour of the Report on Lobbying Payments and Policy, driven by their support for enhanced ESG risk management disclosures. The resolution did not pass and the manager sees that an active stewardship (engagement and voting) continues to form an integral part of our research and investment process. At the date of the meeting, the approximate size of fund's/mandate's holding was 0.12%.

JP Morgan - Emerging Markets Opportunities Fund

JP Morgan defines “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. JP Morgan uses as a proxy voter the ISS – to receive meetings notifications, provide company research and process its votes.

The manager provided 4 significant votes over the period from 2021 to 31 December 2022.

- **OTP Bank Nyrt, 13 April 2022:** J. P. Morgan Asset Management voted against the approval of the Draft and Summary of Stock Options and Performance Share Incentive Plan because the fairness of incentive scheme proposed by the board is questionable. J. P. Morgan Asset Management also voted against the Remuneration Policy. The rationale for this decision was that OTP Bank Nyrt should disclose performance metrics pertaining to variable remuneration, allowing shareholders visibility on performance targets linked to rewards. Both resolutions passed. As a response to the outcome, JP Morgan will continue to engage as necessary. The manager did not communicate its decision ahead of the vote in both decisions.
- **Tencent Holdings Limited, 18 May 2022:** J. P. Morgan Asset Management voted against approving the Issuance of Equity or Equity-Linked Securities without Preemptive Rights due to concerns over the issuance limits, relating to concerns over dilution. J. P. Morgan Asset Management also voted against the Reissuance of Repurchased Shares for the same rationale as the first significant vote mentioned. Both resolution passed. As a response to the outcome, JP Morgan will continue to

engage as necessary. The manager did not communicate its decision ahead of the vote in both decisions.

Approved by the Trustee on 19 July 2023