

September 2021

The Moores Furniture Group Pension and Life Assurance Scheme

Statement of Implementation

Summary

The Trustee has followed its Statement of Investment Principles approach to voting and engagement over the year to 31st December 2020 and expects this to have positively contributed to the Scheme's performance. The Trustee has appointed River and Mercantile Investments Limited ("RAMIL") as fiduciary manager to manage their assets. River and Mercantile Group, of which RAMIL are a division, are a PRI signatory and were rated A+ by PRI in 2019 for their Strategy and Governance. To ensure all relevant voting and engagement is covered, this statement includes information on both the fiduciary manager's voting and engagement record as well as those of the underlying managers. Where proxy voting agents have been used, this has been included in the voting information.

This statement of implementation has been completed over the year to 31st December 2020 and where applicable, underlying managers have provided examples of engagement.

References to "ISS" relate to Institutional Shareholder Services, a proxy voting company.

Fiduciary Growth Portfolio:

As there are c. 30 managers in the DB Growth portfolio, RAMIL have only included allocations which are c.2.5% of Growth Assets (excluding structured equity) or higher as at 31st December 2020. RAMIL have listed out the funds we have considered in detail below but have requested information from all the underlying managers.

Asset Class	Sub Asset Class	Fund	% as at 31 December 2020
Equity	Global	BNY Mellon (River and Mercantile) Global Equity Fund	39.1%
Equity	Global Quality	Fundsmith Equity I Share (ACC) Share Class	2.5%
Return Seeking Credit	Opportunistic	Neuberger Berman Global Flexible Credit Fund I5 Accumulating Class (GBP hedged)	5.2%
Return Seeking Credit	High Yield	BNY Mellon Efficient US High Yield Beta Fund E-Share Class (GBP hedged)	4.5%
Alternative	Hedge Fund	Hudson Bay International Fund Ltd	5.1%
Alternative	Mortality Risk	Leadenhall Life	3.3%
Commodities	Gold	Invesco Physical Gold ETC	2.5%

Liability hedging & Structured Equity:

The Scheme holds c.40% of its assets in liability hedging instruments, and an allocation of c.20% to structured equity (equity option derivative strategies).

Engagement is relevant when considering derivative trading counterparties and RAMIL regularly monitors counterparty ESG scores. At an industry level, RAMIL engages with relevant industry consultations (for example RPI reform and LIBOR reform).

River and Mercantile pooled fund voting and engagements

Over the year to 31 December 2020, we voted on 255 resolutions across 57 meetings. We voted against management at 11 meetings which was 18% of total meetings and abstained in 7 meetings (12% of meetings).

During 2020, 44 engagements were carried out in relation to our due diligence and voting activities, and within these 44, we engaged on 8 separate areas on 70 occasions. Significant engagement examples include:

- We carried out 13 engagements relating to auditor tenure. 11 of the engagements took the form of advising the manager of our policy, typically to provide forward guidance in advance of voting against incumbent auditors in place for over 20 years. For one of the engagements, the auditor had been in place for over 20 years. However, the manager was committed to changing the auditor by a set deadline in line with the transition arrangements permitted under EU regulations and we subsequently supported the auditor reappointment. Following two other engagements, we voted against the auditor's reappointment as we had previously engaged and voted against this resolution in both cases
- Another cost we would typically consider to be something that the investment manager should cover out of their fee is the marketing expenses associated with pooled investment vehicles. However, it is fairly common for pooled investment vehicle documentation to permit the charging of marketing expenses to the Fund. We carried out four engagements in relation to marketing expenses during 2020, including engaging with a new credit fund we had seeded where the company's documentation permitted the charging of marketing expenses. We negotiated with the investment manager to include wording in the documentation for the new fund confirming they did not intend to charge marketing expenses to the Fund.

Further detail on relevant funds within the Fiduciary Growth Portfolio

- **Equity**

BNY Mellon ("BNYM") – Equity Strategy:

Voting Statistics

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	With Mgmt	Against Mgmt	With ISS	Against ISS	With Policy	Against Policy
Total 12m to 31/12/20	1131	13999	12521	1248	72	53	12862	1040	13661	241	13896	6

Most significant vote(s) and examples of engagement

Company A

BNY voted against say on pay in a vote in 2020. The main issue was the NEO ("Named Executive Office") pay structure. The company recently restructured LTIP and pay for performance, however, NEO pay does not accurately mirror CEO pay structure. BNY utilises realisable rather than realised pay. The company currently has 62% performance-based. BNY promises to reach out the Portfolio Managers to get more information about the AGAINST vote in 2020.

The company is releasing data on people and diversity. They have ramped up female empowerment. BNY asked questions in regard to the environmental sustainability goals set for 2020. The company does not provide any updates and instead says to keep an eye out for the 2021 report.

Company B

Regarding compensation, BNYM expressed concern over retention due to volatility in stock pricing. The company has talked to investors about the right mix of equity awards; in the last year, it took steps to make changes (used stock options and full value awards of rank and file employees and some senior executives). For the top two executives, the company uses PSUs (Performance Share Units) for a significant portion of the plan. BNYM stated that the company should detail its engagement process in its next proxy statement.

BNYM does encourage increased disclosure about efforts made to retain and keep employees safe. This can be in a supplemental report or statement, or included in the next proxy statement. BNY also wants to see the results from the last six months of the pandemic.

Fundsmith – Equity Fund:

Voting Statistics

	No. of Voteable Proxies	Times actually voted	No. of Votes Against Management Instruction	% Voted	% Voted Against Management
Total 12m to 31/12/2020	423	423	24	100%	6%

▪ Most significant vote(s) and examples of engagement

- In November 2020 Fundsmith met with Coloplast's Chairman to discuss remuneration. Their existing policy doesn't include a returns or growth-based metric and the Manager engaged to understand how the policy contributed to the long-term, sustainable growth of the company. The Manager was content with the response and changed its vote to support their remuneration policy in 2020.
- Fundsmith also engaged with multiple companies in the last year on remuneration policies, most notably Diageo and IHG. Fundsmith encourage companies to include returns-based measure such as return on investment capital (ROIC) in their long-term incentive package (LTIP) so that only value accretive growth is rewarded. They were successful in the engagement with IHG (they now include a ROIC measure in the LTIP).
- Following further engagement Fundsmith were not successful in getting Diageo to add a returns-based measure in their LTIP and as a result voted against their remuneration policy at their Annual General Meeting.

- **Example of a company engagement that stalled or did not work out as expected over the past 12-months, and how the firm was able to respond to this:**
 - None noted but there are ongoing engagements.
- **How the Firm's ESG process has evolved over the past 12 months**
 - Fundsmith have been building up the systems and resources to more transparently show the impacts companies invested in have on the wider world, especially in the context of increasing sustainability regulations and the UK Stewardship Code 2020.
 - As long term shareholders Fundsmith consider ESG factors a significant part of their investment process as they want companies that can sustain a return on invested capital across the business cycle. The biggest innovation in their process over the last year was to publish a responsible investment policy, which explains Fundsmith's approach to responsible investment.

• Return Seeking Credit

Neuberger Berman Global Flexible Credit

- **Significant company engagements that were successful over the past 12 months:**
 - Neuberger Berman (NB) had engaged with a leading manufacturer and distributor of blood testing equipment. The company's solutions are used in hospitals and other healthcare centres worldwide for screening, diagnosing, and monitoring diseases.
 - Diligence process included multiple discussions with the issuer's management team including the Treasurer and CEO. Developed engagement priorities aligned with the Sustainable Development Goals with a focus on the following factors:
 - Encourage the company to develop social targets in addition to its previous environmental focus. NB believes social considerations are material factors to the issuer's overall credit profile due to the socially-focused nature of the healthcare business, along with the importance of affordability and access for the issuer's ESG Quotient.
 - NB encouraged the issuer to increase product distribution to at risk/at-need populations globally through donations of refurbished equipment.
 - NB engaged with the issuer to understand the impact the COVID-19 crisis would have on its long-term business strategy. The firm could test for COVID and NB viewed the issuer's ability to deliver these solutions and products globally as a positive for society and for the issuer's credit profile and operating trends.
 - As a result, Neuberger met with the CEO of the company in 2020 who acknowledged the company has discussed equipment donations. NB has greater confidence the issuer will

implement these targets and continues to engage the issuer on providing disclosures so in order to track their progress.

- **Example of a company engagement that stalled or did not work out as expected over the past 12-months, and how the firm was able to respond to this:**
 - Diligence process included a discussion with members from the Treasury team and the Head of Sustainability. They developed engagement priorities with a focus on the following factors:
 - Discussed the company's ESG objectives around smart agriculture goals, water stress, circular packaging, product portfolio and diversity and inclusion.
 - Specifically, NB encouraged the issuer to disclose more information on water stress improvement goals and progress. Water is essential to the operations of the issuer. Water intensity is a material risk to the issuer due to the physical, reputational, and regulatory risks associated with it.
 - NB encouraged the issuer to set diversity goals and publish data and progress towards this goal due to the importance of strong human capital and talent management practices.
 - While the company was receptive to NB's engagement, NB are still awaiting the publishing of the company's first ever standalone ESG report to assess whether its feedback was implemented and to learn what data the company has disclosed. NB will follow up with the company upon publishing of this report.
- **How the Firm's ESG process has evolved over the past 12 months:**
 - The team believes that maintaining an active dialogue with senior management is an essential driver of consistent long-term investment results, as it provides them with a more holistic understanding of the credit risk, enables the team to offer feedback when they see shortcomings, and allows them to suggest alternative steps to protect value when necessary.

BNY Mellon: Efficient Global IG Corporate Beta Fund and US High Yield Beta Fund (GBP Hedged)

The manager's investment process for these funds does not currently involve engaging with issuers. An area under development is an ESG scoring matrix of parameters, which will use MSCI ESG data help the manager de-select especially low-scoring issuers.

• **Alternatives & Commodities**

The alternative nature of these funds means investments tend not to be in listed equities and as such, voting is not relevant.

Hudson Bay International Fund Ltd:

Due to the nature of this Fund's investments it does not utilise vote proxies. Although Hudson Bay does not have an ESG related policy within its overall portfolio design, it recognises and respects the fact that ESG is a very important issue, therefore, has developed the ability to allocate away any profits and losses attributable to investments that would violate a client's ESG mandate.

Leadenhall Life

- **Significant company engagements that were successful over the past 12 months:**
 - As an example, the Manager has recently engaged with a German hybrid insurer/reinsurer on its strength of their ESG support by each pillar as part of its Operational Due Diligence process.
 - On an environmental standing it was particularly sound; its parent group majority investor is a signatory to the UN PRI. Their investment screening process removes the risk of investments that they may make falling afoul of shared 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.
 - Life insurance in general is a socially beneficial service so the Firm has a particular interest in seeing that their investments stand up to scrutiny here. The firm in particular queried turnover and training policies and the hybrid insurer/reinsurer invests heavily in people resources with training officers an important part of development, maintaining a high employee retention as a result (<20% turnover per annum). They also reviewed the company's corporate volunteering commitment to establish that this was part of their corporate culture. This also related to a high degree of commitment to the arts and culture.
 - Insurance is a highly regulated business and we reviewed the parties' regulatory framework for both prudential and behavioural oversight. The hybrid insurer/reinsurer 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 us. A further detailed review of the decision-making authority, organisation chart, and framework for operational risk governance and internal audit was conducted. They also shared their own internal audit findings. Leadenhall concluded the firm had solid risk accountability.
- **Example of a company engagement that stalled or did not work out as expected over the past 12-months, and how the firm was able to respond to this:**
 - In one instance Leadenhall were offered the opportunity to lend to a vehicle against the Embedded Value of a targeted insurance acquisition. The deal team brought the proposition to internal committee for discussion and was rejected in part because of potential governance issues. (One of the Principals in the vehicle had been previously involved in a failed entity.)
- **How the Firm's ESG process has evolved over the past 12 months:**
 - All EU-based open ended funds managed by Leadenhall Capital Partners ("Leadenhall") have been categorised as being investment products which promote environmental and social characteristics in accordance with the criteria recently set out in Article 8 of the Sustainable Finance Disclosure Regulation ("SFDR") in the EU.

Invesco Physical Gold ETC:

Due to the nature of this Fund's investments it does not utilise vote proxies.