

Stewardship Code

December 2016



Introduction:

Mobius Life Limited ("Mobius Life") is an authorised unit-linked UK life insurance company. We are an independently owned business committed to helping UK HMRC registered pension schemes, Actuaries, Advisers and Asset Managers implement their investment strategies, and enable them to aim to meet their investment objectives.

We provide and manage Trustee Investment Plans by utilising an investment platform operating within a life company structure, supported by a wide range of investment services:

- a) Investment Administration
- b) Asset Transfer Project Management
- c) Scheme Reporting
- d) Rebalancing
- e) Straight Trough Processing
- f) Blending and White Labelling of Funds
- g) Solvency Management Support

Working closely with our clients, we create tailored investment solutions to fit their unique requirements.

This document is intended to enable our clients to understand the manner in which adhere to the Stewardship Code at Mobius Life. While Mobius Life supports and upholds the objectives of the Code, we manage Unit-Linked Life Funds which invest in other manager's funds or segregated accounts and as such we delegate some of the code's responsibility to external managers as they are outside of our control.

The Stewardship Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The seven principals of the code are confirmed below together with confirmation of our approach to them.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Mobius Life is an investment platform provider, we do not manage equity investments. Instead, we outsource the investment management to a range of different investment managers (fund managers).

The fund managers are the 'Asset Managers' and Mobius Life is an 'Asset Owner' via the funds it invests in on behalf of our policyholders.

The funds on our platform are driven by demand, i.e. an authorised adviser is recommending a fund to a UK HMRC Registered Pension Scheme (policyholder). If a fund is being recommended which is not available on our platform, we analyse the fund to ensure it is a permitted link, as per the Financial

Stewardship Code

December 2016



Conduct Authority's (FCA) conduct of business rules. As part of the analysis process, we review the fund manager's adherence to the Stewardship Code.

We do not prescribe how fund managers adhere to the code but we ask for their own statements and check in relation to their stance on comply or explain adherence to the Stewardship Code.

Also, as part of our due diligence process we review the operation and legal structure of the investments.

As part of the initial and ongoing monitoring process our Investment Team analyse the following information:

- The Annual Report & Accounts for the fund(s);
- The Prospectus for the Fund(s) – if applicable;
- The Fund Factsheet for the Fund(s) – if applicable;
- The Key Investor Information Document for the Fund(s) – if applicable.

If the prospectus permits stock lending, we conduct an initial review of the level of the activity, and also evaluate whether the benefits of the stock lending are given to investors in the fund.

In addition to the above, we contact the fund managers to monitor:

- If there has been any turnover in staff within their investment team;
- Any changes in AUM for the fund, strategy and business;
- Whether there has been any change in business ownership.

We do not prescribe how fund managers should invest, and therefore avoid any conflicts of interest.

We approve funds for investment on our platform which are well managed, successful, with strong records of delivery on stated strategies. Engagement with the fund managers is an integral part of our due diligence process.

We expect fund managers will adhere to the code in different ways, as there are fund managers whose processes are quantitative where their adherence maybe minimal or non-existent, especially if they are based outside the United Kingdom. However, on balance we expect that the fund managers will tend towards adherence to the code.

When reviewing the governance of the fund managers, we look for evidence confirming their management is striving to meet the "spirit" of good governance.

Mobius Life believes the Stewardship Code has helped to raise the profile of stewardship, has normalised discussions about stewardship in the investment chain and has led to improvements in the quality and quantity of engagement between institutional investors and companies.

Stewardship Code

December 2016



The outsourcing of the investment management to the various fund managers enables policyholders to access a dynamic portfolio of funds, with a robust monitoring process provided by Mobius Life.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

In relation to stewardship, we have not come across a situation where a conflict of interest has occurred. We are not involved in the day-to-day direct investment decisions made by the fund managers (who manage the funds we invest in). If a conflict of interest did arise, it would be raised, monitored and dealt with by our Governance and Investment Committees.

As part of our governance process, all Mobius Life staff receive Conflicts of Interest Training upon joining the business and thereafter annually. Any potential or actual conflicts are recorded and monitored on our Risk Register. As part of our ongoing monitoring programme, all Mobius Life staff confirm (on a regular basis) whether any new conflicts have arisen.

Mobius Life ownership structure is such that there is no conflict of interest between policyholders' investment interests and the position of Mobius Life, or any other part of the Group.

We do not prescribe how fund managers should invest within their fund, and therefore avoid any conflicts of interest.

A conflict of interest could potentially arise where Mobius Life is providing a service to a client and there is a material risk of damage to the interests of a client because Mobius Life:

- Is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- Has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in outcome;
- Has a financial or other incentive to favour the interests of another client or group of clients over the interests of the client;
- Carries on the same business as the client; or
- Receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for the service.

The existence of a conflict does not depend on a specific intent to disadvantage the client, or even on the awareness of it by either party. This means conflicts are not always self-evident and a periodic review is required to identify new business circumstances and to address any which represent actual or potential conflicts of interest.

Mobius Life's policyholders are mainly per se professional investors, who gain access to the Mobius Life Platform following a recommendation from an authorised entity, not from Mobius Life. Conflicts directly

Stewardship Code

December 2016



with policyholders will commonly be rare due to this take on process, though any potential conflicts are noted and managed on our Risk Register.

The UK fund managers are regulated by the FCA, and are therefore bound to adhere to the Senior Management Arrangements, Systems and Controls (SYSC) rules, which cover conflicts of interest management.

Our conflicts of interest policy applies consistently to all Mobius Life directors and employees. A copy of our conflicts of interest policy is available upon request (contact details below).

Principle 3: Institutional investors should monitor their investee companies.

Mobius Life does not monitor 'investee companies' as we are not directly investing in companies. Asset Managers (fund managers) monitor 'investee companies'.

Mobius Life invests in funds managed by fund managers and is an 'Asset Owner' not an 'Asset Manager', so instead, we regularly monitor the fund managers activity and funds made available by the fund managers. Periodically the fund managers will report to us on their investment activities and the performance of their portfolios, as well as their compliance to applicable regulations.

Before appointment, we ask for the fund manager's Stewardship Code, as part of the due diligence process.

We are committed to conducting thorough research and building strong relationships with the fund managers. We use thorough analysis and incisive action to be able to understand and keep abreast of a fund's performance and the key drivers.

We generally meet the fund managers or their representatives at least once a year. These meetings enable us to review corporate progress and prospects and management of the risks within the funds on our platform through governance.

The fund managers provide us with an opportunity to ask questions to understand their strategy and objectives of the funds.

We do not prescribe how fund managers should invest within their funds, and therefore avoid any conflicts of interest.

We do not prescribe how fund managers should vote in respect of the 'investee companies' they are investing in, as whilst we are invested in the fund, we have no intention to influence any voting.

If you want to know how the fund managers are voting on 'investee companies' within their funds, we can provide you with contact details for the fund managers. Alternatively, you can access the fund managers Stewardship Code at the following web address:

Stewardship Code

December 2016



<https://www.frc.org.uk/Our-Work/Corporate-Governance-Reporting/Corporate-governance/UK-Stewardship-Code/UK-Stewardship-Code-statements.aspx>

We do not attend annual or extraordinary meetings of the 'investee companies', as we have no direct holding in the 'investee companies' the fund managers invest in.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

Mobius Life monitors the appointed fund managers, who are responsible to ensure there is appropriate governance in place. Our Investment Team monitors each funds activity to ensure the objective and strategy of the fund is adhered to.

If our Investment Team identify a situation where the fund manager is not adhering to the objective and strategy, i.e. a UK Equity Fund manager starts to invest in Global Equities within the UK Equity Fund, the Investment Team will escalate their concerns to both the Governance and Investment Committees.

The Governance and/or the Investment Committee will determine the appropriate action to take on a case by case basis, which may involve contacting the senior management of the fund manager and the Financial Conduct Authority.

Our Investment Team, as part of the permitted links due diligence process, review the operation and legal structure of the funds.

As part of the initial and ongoing monitoring process our Investment Team analyse the following information:

- The Annual Report & Accounts for the fund(s);
- The Prospectus for the Fund(s) – if applicable;
- The Fund Factsheet for the Fund(s) – if applicable;
- The Key Investor Information Document for the Fund(s) – if applicable.

If the prospectus permits stock lending, we conduct an initial review of the level of the activity, and also evaluate whether the benefits of the stock lending are given to the investors in the fund. If they do not, the Investment Team will escalate their concerns to our Governance and Investment Committees.

In addition to the above, we contact the fund managers to monitor:

- If there has been any turnover in staff within the investment team;
- Any changes in AUM for the fund, strategy and business during a specific period;
- Whether there been any change in business ownership.

Stewardship Code

December 2016



We do not prescribe how fund managers should invest, and therefore avoid any conflicts of interest.

We look to approve funds on our platform which are well managed and successful with strong records of delivery on stated strategies. Engagement with the fund managers is an integral part of our investment management process.

We expect fund managers will adhere to the code in different ways, as there are fund managers whose processes are quantitative where their adherence maybe minimal or non-existent. However, on balance we expect that the fund managers will tend towards adherence to the code.

When reviewing the governance of fund managers, we look for evidence confirming their management is striving to meet the "spirit" of good governance. If our Investment Team have any concerns regarding the fund manager's governance, they will escalate their concerns to our Governance and Investment Committees.

The Governance and/or the Investment Committee will determine the appropriate action to take on a case by case basis, which may involve contacting the senior management of the fund manager, the Financial Conduct Authority, and the Financial Reporting Council.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

As Asset Owners, we are outside of the scope to consider collaboration with other investors in 'investee companies' as we do not hold equities directly.

However, our objective is to aim to ensure the best long-term outcome for our policyholders. If the opportunity arises, regarding different policyholders investing and disinvesting into the same fund at the same time, we will try and 'match off' the transaction to ensure minimum dealing costs are incurred.

An example of 'match off' is as follows: Company A has an investment in XYZ fund and wishes to disinvest £10,000,000 from the fund. Company B wishes to invest £15,000,000 into the XYZ fund. To complete the transaction, we would allocate the units company A holds to company B and use £10,000,000 of the premium from company B to pay company A, and purchase £5,000,000 more units in the underlying fund of the XYZ fund on behalf of company B. This would mean company B only having dealing costs on £5,000,000 rather than on the full investment amount, and Company A's dealing charges would be minimal.

We use information technology to identify such opportunities.

In addition to the above, the funds we make available to invest in are 'pooled' funds. We are collectively investing with other institutional investors.

Stewardship Code

December 2016



Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

As we are Asset Owners, and not Asset Managers, the appointed fund managers (Asset Managers) may have voting rights, we do not as our business model outsources direct company investment, i.e. we invest in funds not equities directly and therefore have no voting rights.

The voting records of the fund managers can either be located on their web site or are available on request from the fund managers directly.

If you want to know how the fund managers are voting on 'investee companies' within their funds, we can provide you with contact details for the fund managers. Alternatively, you can access the fund manager's disclosure of voting activity within their Stewardship Code at the following web address:

<https://www.frc.org.uk/Our-Work/Corporate-Governance-Reporting/Corporate-governance/UK-Stewardship-Code/UK-Stewardship-Code-statements.aspx>

We do not attend annual or extraordinary meetings of the 'investee companies', as we have no direct holding in the 'investee companies' the fund managers invest in.

As Mobius Life does not invest directly in 'investee companies' we do not engage in stock lending, as we do not hold any stock. However, if the prospectus of a fund permits stock lending, we conduct an initial review of the level of the activity, and also evaluate whether the benefits of the stock lending are given to investors in the fund.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

Unless there are material changes to our business or regulation, we review and report our adherence to the Stewardship Code on an annual basis.

As direct company investment (investing in 'investee companies') is not an activity at Mobius Life, we do not vote, and so we will not publish a statement explaining our voting patterns.

As we are Asset Owners, and not Asset Managers, we do not have the opportunity to vote, and therefore our voting activity is none. The Asset Managers (fund managers) may have the opportunity to vote.

The voting records of the fund managers can either be located on their web site or are available on request from the fund managers directly. However, if the fund manager has created a fund of funds, i.e. has no direct 'investee companies' in the fund, they may not have any voting rights.

Stewardship Code

December 2016



If you want to know how the fund managers are voting on 'investee companies' within their funds, we can provide you with contact details for the fund managers. Alternatively, you can access the fund manager's disclosure of voting activity within their Stewardship Code at the following web address:

<https://www.frc.org.uk/Our-Work/Corporate-Governance-Reporting/Corporate-governance/UK-Stewardship-Code/UK-Stewardship-Code-statements.aspx>

To avoid any conflict of interest, we do not influence the fund managers in their decision making process regarding their voting patterns.

Further information:

As part of your annual pension scheme audit, your auditors may want a copy of our AAF 01/06 report to evaluate the effectiveness of our internal systems and controls.

The report details external auditors finding following examination of the following:

- Accepting clients
- Authorising and processing transactions
- Setting fund investment strategy, appointment and monitoring of external fund managers
- Maintaining financial records and other records
- Monitoring compliance
- Client reporting
- Information Technology systems and access

A copy of our annual Assurance Report on Internal Controls in accordance with AAF 01/06 is available upon request (contact details below).

[Reviewed December 2016]