momentum
global investment management

Stewardship Report

2022

With us, investing is personal

Contents

Foreword

Momentum Global Investment Management ("MGIM") take our stewardship responsibilities very seriously. We recognise the responsibility we have when clients entrust us with their savings by investing in our funds. As a result, we work hard to live up to their expectations, and assist our clients to achieve their longer-term financial outcomes.

We have clear values that set the tone in the business and defines our culture. Our values make us who we are – they form the compass for our actions and engagements with all our stakeholders, including clients, financial advisers, shareholders and staff.

We follow an outcome-based investment philosophy at MGIM. This philosophy underpins everything we do, striving to increase the probability of achieving the targeted outcomes whilst making the investment journey as palatable as possible - with no surprises.

Increasingly our investors as well as other stakeholders expect much more from us than just delivering on expected investment outcomes.

As a management team, we focus on ensuring that we grow a sustainable business that is well governed, and that we do so by nurturing a positive, engaged and inclusive culture for staff in which to excel and develop. But for us to have a growing business, we also need a sustainable world around us. In this regard, we are very aware of our responsibilities as an allocator of capital, and the role we need to play to ensure that this is put to good use. Therefore, we consider all environmental, social and governance ("ESG") factors in all our decisions, and specifically the economic impact of these factors on our investment decisions.

We engage actively with investee companies as well as third party managers, to help us make better investment decisions, from a pure commercial perspective and also with regards to ESG and broader sustainability factors. The ultimate goal of engagement is to actively collaborate with all stakeholders to ensure we collectively work towards building a sustainable world for future generations. Whilst we do not follow a specific exclusion policy (we much rather engage to effect positive change), our portfolio managers will not hesitate to exercise the rights and responsibilities that we have as investors when we need to act decisively.

At MGIM, we recognise that we too contribute to the environment around us. As a result, we are focused to ensure that we live in a responsible manner, as a business and also as individuals. We track our own carbon footprint and will continue to strive for improvement in this regard.

We trust that this report will help to demonstrate not only our sincere intent, but also our committed execution of our stewardship responsibilities as an investment manager.

Ferdinand van Heerden
Chief Executive Officer

Introduction to Momentum

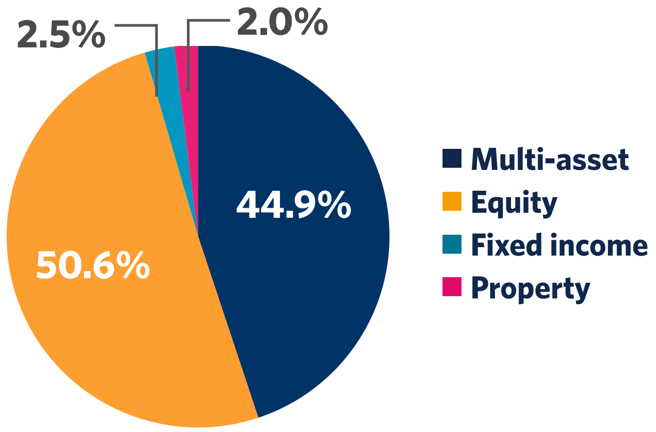
Established in the UK in 1998, MGIM is an award winning, specialist global investment manager. We concentrate on designing, building and managing outcome-based investment solutions, delivered through multi and single asset portfolios and tailored client solutions. As a truly global player we invest client assets for supporting advisers and partners, predominately in the United Kingdom and Europe, South Africa and Africa, the Middle and Far East, South America and Asia.

The firm is a wholly owned subsidiary of Momentum Metropolitan Holdings Limited which is listed on the Johannesburg Stock Exchange in South Africa and on the Namibian Stock Exchange in Namibia. With a market capitalisation of £1.12bn, Momentum Metropolitan is one of South Africa's larger life insurers and integrated financial services companies. Through client-facing brands Metropolitan and Momentum, with Momentum Multiply (wellness and rewards programme), and our other specialist brands, including Guardrisk and Eris Property Group, Momentum Metropolitan provides well-diversified financial solutions for people, communities and businesses. The advantage to MGIM of being a boutique within our large parent firm is that it allows us to be flexible and creative in our investment approach, while still enjoying the resources and stability of belonging to a larger corporation.

In the UK, we have two separate but complementary businesses under MGIM; our core investment management capabilities based in London and Liverpool, and Momentum Investment Solutions & Consulting (Momentum ISC) our investment consulting business based in Windsor.

MGIM's twenty investment specialists, who on average have more than 16 years of investment experience, collectively manage £4.4bn (as at 30 June 2022). In most cases, we are the discretionary manager of single asset or multi-asset class portfolios, which are either invested via third party managers or directly in securities. Investments in third party managers are generally via funds, except for our larger accounts where we may invest via segregated accounts.

MGIM AUM as 30 June 2022



Direct investments are generally limited to listed equities, closed ended investment trusts and high grade government and corporate bonds.

Momentum ISC, our investment consulting business, was established in 2015 by a team of specialists to provide independent advice to UK pension schemes. This team, led by four partners who have a collective experience spanning 80 years, covers all aspects of investment consulting including strategy, risk management, liability hedging, manager selection, operations management and governance.

In addition, for institutional clients, Momentum African Real Estate Fund (MAREF) is an African commercial real estate development joint venture between MGIM in the UK and Eris Property Group in South Africa. Here, we invest directly into property assets.

Each of our teams integrate our company's core values of accountability, integrity, excellence, teamwork, innovation, and diversity. We pride ourselves on being strong supporters of global best practice and developments in terms sustainabiilty. Our Group have been signatories to the United Nations Principles for Responsible Investment since 2006 and established a Responsible Investment Committee (RIC) in 2013. In 2019, Momentum Metropolitan first adopted our Climate Change Investment Policy and in 2020, we became one of the first South African signatories to the Just Transition Statement. In 2021, MGIM established a local RIC, acknowledging our individual social responsibility, and reinforcing our support of the UK Stewardship Code.

Looking forward, it is our commitment to incorporate climate change considerations in all our business dealings and undertakings. We are committed to embedding the appropriate principles and processes to support this transition over the coming years. Through our responsible investment approach, we aim, as fiduciaries of client investments, to invest in a manner that is fair and driven by the intention to generate long-term, sustainable investment returns, while, at the same time, ensuring we remain true to our philosophy, portfolio construction and robust investment processes.

This report sets out on a principle-by-principle basis how we have complied with the Stewardship Code 2020 in the year to 30 June 2022 and also aims to satisfy our reporting obligations under the EU Shareholder Rights Directive II. ('SRD II'). The FCA Conduct of Business Sourcebook Section 2.2B sets out the disclosures required to meet SRD II, the table below explains how those requirements correspond to and are satisfied in our response to the principles:

SRD II Policy and Disclosures Required	Principle
How we integrate shareholder engagement in our investment strategy	1 &2
How we manage actual and potential conflicts of interest	3
How we co-operate with other shareholders and communicate with relevant stakeholders of our investee companies	4 & 10
How we monitor investee companies on relevant matters, including: » Strategy » Financial and non-financial performance and risk » Capital structure » Social & environmental impact and corporate governance	7
How we conduct dialogues with investee companies	9 & 11
How we exercise voting rights and other rights attached to shares, the use of proxy advisors and a general description of voting behaviour and how we have cast votes in the general meetings of investee companies, including an explanation of the most significant votes	12

Principle 1 - Purpose, Strategy & Culture

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Momentum Global Investment Management Limited (MGIM) is a wholly owned subsidiary of the Momentum Metropolitan Group. Consistent with the culture of Momentum Metropolitan, MGIM is a company with a strong collegiate culture, confident in what we do, but humble and never arrogant. We truly believe that values-based businesses deliver better long-term sustainable benefits for all their stakeholders.

Our values will always remain our foundational pillars, and these values are accountability, diversity, excellence, innovation, integrity and teamwork.

They strengthen and define our actions in all we do, in how we engage and specifically in our goal and commitment to be a responsible investor.

As part of Momentum Metropolitan's 'Reinvent and Grow' strategy, all business units have set clear, ambitious and measurable targets to achieve by 2024. For MGIM, our stated goal is:

"to be a recognised global multi asset investment manager in the (1) UK IFA market, with (2) SA advisers and group channels, and (3) international offshore / expat advisers and their clients, and a top-rated independent emerging investment consultant in the UK DB Scheme market."

We want to be recognised as a leading and trusted investment partner that enables personalised experiences through outcome-based solutions for our clients and adviser partners, delivering meaningful financial results to our shareholders, whilst also being a great place to work for our staff.

Our outcome-based investment philosophy means we focus on delivering the outcomes target that are designed to achieve, helping investors satisfy their life/spending goals. These are typically expressed as real return target objectives to be achieved over a certain number of years, but with a clear focus to make the investment journey as smooth as possible.

We aim to deliver on these target outcomes through constructing well diversified "multi-asset" portfolios managed by specialist investment teams. This means we invest across equities (UK and overseas), fixed interest, property, infrastructure, private equity, specialist debt, commodity and other alternative investments. Our approach to asset allocation is anchored by a long term, valuation-driven approach. For the majority of asset classes we invest through third party managers, via funds or segregated accounts, but we also make direct investments in listed equities, investment trusts, and government and corporate bonds for certain countries, sectors or clients.

Responsible investing is part of our core beliefs. We help people grow their savings, protect what matters to them and invest for the future. Sustainable and responsible investment practices are material factors underpinning investment outcomes for our clients, and key to our long-term success as a business. As investors of our clients' capital, we need stable, well-functioning and well governed companies and economic systems to deliver on our long-term targeted client investment outcomes.

We invest with a long term horizon which ensures sustainability has to be a key consideration for all investment decisions.

We fundamentally believe that environmental, social and governance (ESG) risk and opportunity factors are relevant to the overall performance of investments.

We believe that a focus on long term sustainability should be engrained in all processes and functions across our business. From an investment management perspective, this means we take into account ESG factors when making any investment decision. We recognise that there are both risks and opportunities related to these factors, which we aim to incorporate into our analysis, in the same way that we analyse all other financial and economic aspects relating to the investments we make.

Whilst we do not overtly pursue an "Environmental" or "Green" investment approach, we take seriously our duty towards ensuring our investments are not made in a way that is unnecessarily counter-productive to the long-term sustainability of investors, the economy, society and the planet. Where appropriate, we look favourably on the allocation of capital towards issuers (companies and investment vehicles) that explicitly seek to counteract the current and in this regard historic harm done to stakeholders.

We have a well-resourced and highly experienced investment team, numbering twenty people in the UK, that operates as one unified research and investment engine with a consistent philosophy and process across all our investments. We are not passive disengaged investors; rather we have always approached investment management with rigorous research and proprietary analysis to ensure we have a very clear and deep understanding of all investments we make prior to initiation. Individual team members specialise in certain areas, creating focus and enabling original insight, but we do not operate in silos and all team members are to varying degrees involved in asset allocation, portfolio management and client engagement as well, which creates valuable perspective and, in our opinion, leads to higher quality investment outcomes for clients. This team structure and division of responsibilities means we are well positioned to ensure very high standards of stewardship across all our portfolios, and to implement new or evolving responsible investment policies as appropriate.

Whilst there are no investment team members dedicated solely to sustainability and engagement, the considerations of close engagement with our investee companies / third party managers and their governance have always been integral to our investment approach. However, the team does have the support of two dedicated ESG professionals within Momentum Investments in South Africa.

Also, our Responsible Investing Committee provides significant and increasing guidance and support for the investment team in integrating ESG best practices across all MGIM portfolios.

Recent examples of how our purpose and investment beliefs have guided our stewardship, investment strategy and decision-making:

01 We launched dedicated sustainable multi-asset portfolios, to meet the needs of clients who have more stringent requirements around ESG related factors. These included three sustainable model portfolios (our 'SMPS' offering) for the UK market, and an Article 8 Luxembourg UCITS fund (Harmony Portfolios Sustainable Growth Fund) for international investors.

02 We further expanded our investments into infrastructure assets, with a strong alignment to the UN Sustainable Development Goals. The most notable example was through International Public Partnerships plc (or 'INPP'). Alongside many smaller projects, INPP was a key supporter of the development of the Thames Tideway Tunnel, an extenstion to the London sewerage network that will reduce polluting discharges into the Thames by about 37 million cubic metres in a typical year.

03 We included the Aikya Global Emerging Markets Fund in many of our portfolios. This is an Article 9 fund under European SFDR, reflecting the manager's disciplined, bottom-up approach to seeking out quality (often family-founded) businesses with a strong focus on sustainability of growth and stewardship of investors' capital; they consider who is running the business to be as important as the business itself

Principle 1 Cont...

During the past year we established a Responsible Living Committee within the business. Rather than being investment led, this is a broader group with representatives from across the business, whose mandate is to encourage more sustainable practices within our own business and across all our employees. The committee has identified several initial areas of focus, which include:

1. Tracking and reducing carbon emissions across core business activity and employees. An external provider to assist with this has been identified and the framework will be rolled out across the business soon.
2. Reviewing and adapting the office environment, business travel, IT strategy and supplier management, to increase alignment with our sustainability beliefs.
3. Introducing education opportunities for the whole business, such as newsletters, talks, tools and events to encourage employees to consider change in their personal/home life as well as at work.

Client outcomes

Our primary measure of effectiveness in serving the best interests of our clients is through performance outcomes. These are regularly reviewed at quarterly Board and Product Governance Committee meetings. We target outcomes linked to a hurdle above the cash or inflation rate in the relevant currency over appropriate medium term investment horizons. The combination of very weak markets this year and elevated inflation have led to annualised returns for many of our solutions dipping slightly below their targets. We have however been successful at dampening volatility through asset class diversification and strategy selection, in most cases outperforming peers over the past year. We have clearly and openly communicated the drivers of performance to clients, and have provided support to the advisers using our solutions to help them keep their clients invested.

The introduction of new Sustainable funds and models across our product range has led to us developing better ESG reporting and analysis for these solutions, something which we hope to extend to some extent to our other solutions over the next year. We believe reporting sustainability related portfolio improvements in real world terms, such as the below for our Momentum GF Global Sustainable Equity Fund, will help create better client and sustainability outcomes.

Beyond those measures, rather than just relying on our own assessments, we also survey our clients annually to get their opinions of how we are doing.

Our latest survey was completed in June 2022 and the summary results were:

- Number of respondents increased to 159 (still a modest proportion of our client base so we will strive to increase this next year)
- All metrics other than query responsiveness improved
- The percentage of respondents who would recommend MGIM to their colleagues was very high at 96% (among our South African clients), 97% (international clients) and 87% (UK clients).

FOOTPRINT INTENSITY: MOMENTUM GLOBAL SUSTAINABLE EQUITY FUND

WATER USE

22.5% BELOW

M3/mUSD invested 4,889.0 compared to 6,307/9

21.5% BELOW

tCO2eq/mUSD invested 41.0 compared to 52.3

GREENHOUSE GAS EMISSIONS SCOPE 1&2

22.3% BELOW

WASTE GENERATION

Tons/mUSD invested 23.5 compared to 30.3

Principle 2 - Governance, resources & incentives

Signatories' governance, resources and incentives support stewardship.

Momentum Global Investment Management Limited (MGIM) is authorised and regulated by the Financial Conduct Authority in the United Kingdom, and is exempt from the requirements of section 7(1) of the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS) in South Africa, in terms of the FSCA FAIS Notice 141 of 2021 (published 15 December 2021).

The board of MGIM comprises five executive members and three non-executive members, drawn from a variety of backgrounds in the financial services industry. The board meets formally at least every quarter. While the Board retains full and effective control of the Company, it may delegate duties to committees or to individuals.

The five executive directors are members of the Management Committee (Manco) of MGIM, which meets regularly and comprises the executive directors along with other senior managers within the business, and which co-opts other relevant members of staff as appropriate.

Governance of stewardship and related areas is considered by the Board, the Management Committee and the Responsible Investment Committee on a basis appropriate to the companies' fiduciary and other duties and obligations to stakeholders.

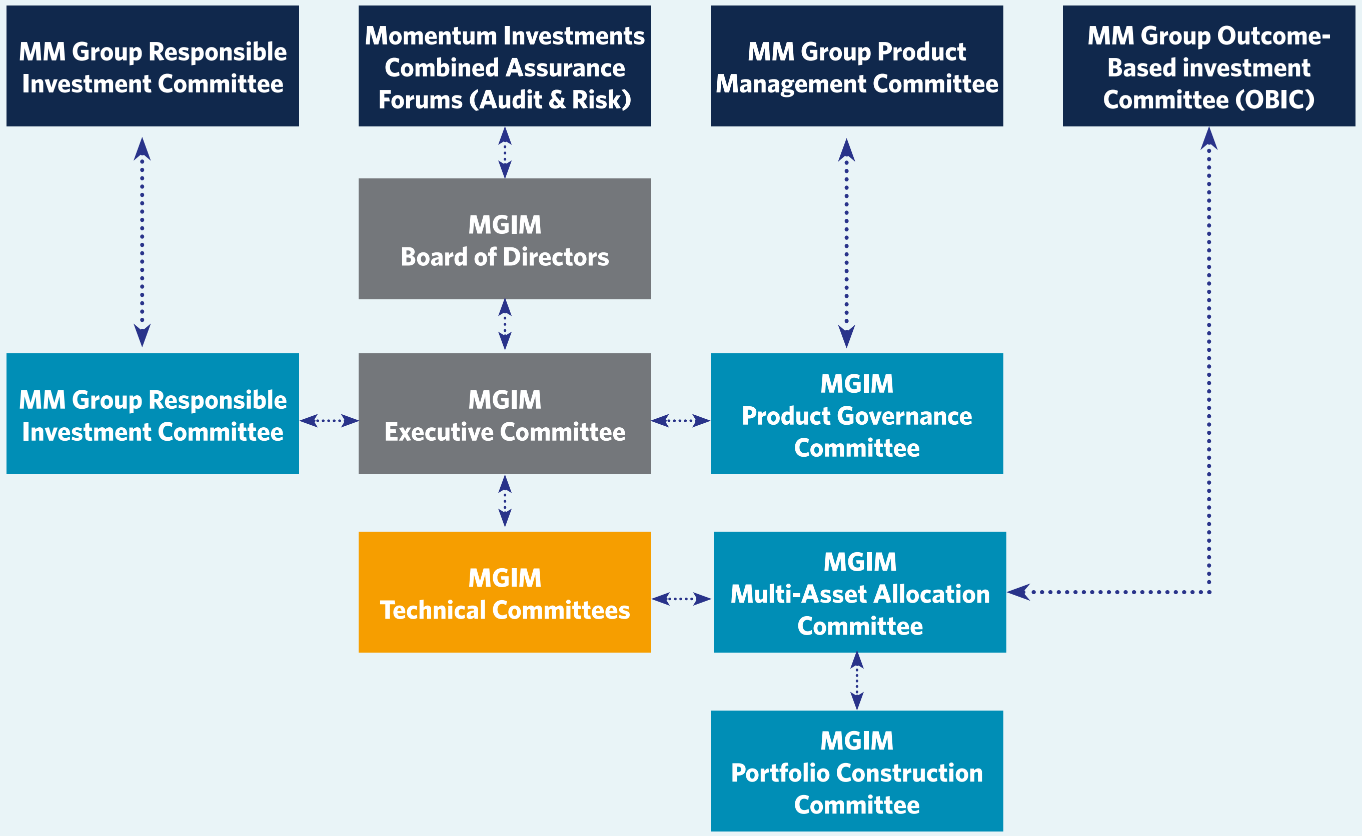
The implementation of MGIM's approach to Stewardship and related matters is delegated, on a day-to-day basis, to MGIM's investment team, which consists of eight portfolio managers and twelve other members.

Responsible Investment Committee

MGIM's parent company, Momentum Metropolitan Holdings Limited (MMH), has a long history of focussing on sustainability as an integrated philosophy in the company. Our Group have been signatories to the United Nations Principles for Responsible Investment since 2006 and established a Responsible Investment Committee (RIC) in 2016. The group RIC meets quarterly and includes two standing team members from MGIM. While this provided governance around MGIM's sustainability integration and encouraged further progress, we felt the level of oversight and focus was insufficient, particularly given differences in local requirements, driven by clients and regulators, and differences in the investment strategy and universe. Significant progress was made to enhance the MGIM governance structure with respect to Stewardship during 2021.

In April 2021, MGIM established a local Responsible Investment Committee, with clear terms of reference and a mandate to oversee the activity of the entire UK business, including fund management and investment consulting. The RIC has nine members, including Andrew Hardy (Director of Investment Management), Reena Thakkar (Managing Partner), Elaine Smith (Chief Compliance Officer) and two portfolio managers, and is chaired by Ferdi van Heerden (MGIM CEO). Three senior team members from South Africa, who are members of the Group RIC, are also members of the MGIM RIC; two of these members are dedicated ESG professionals with over 30 years of combined experience in that capacity. The MGIM RIC meets at least four times a year.

Figure 1 below depicts how the MGIM RIC fits into the MGIM and MMH governance structures.



The role of the RIC is to provide oversight of the RI Policy, practices and goals of MGIM and to ensure full alignment as far as is practical with the related policies and practices of Momentum Investments / Momentum Metropolitan Group Limited. The MGIM RIC should take its guidance from the MGIM Manco and will also align its focus and activities with that of the Momentum Metropolitan Group RIC of the parent company.

Where the MGIM RIC has oversight of the responsible investment practices, the RIC is responsible for the following activities:

- Provide oversight of the governance of the RI and related policies of MGIM and the Group / parent company
- To oversee the practical implementation of the RI Policy goals, the UN PRI principles, the UK Stewardship Code principles, as well as those specific actions that are required in terms of MGIM's sustainable funds
- Agree and define the key responsible investment themes / goals in partnership with the Group, on an annual basis
- Oversight of any material initiatives or developments in terms of RI and ESG/Climate change

Where the MGIM RIC has oversight of the governance function, the RIC should, wherever possible:

- Monitor and assist the business with compliance with the responsible investment guidelines and broad policies of MGIM, and those set by the Group
- Provide oversight and practical guidance regarding the implementation of processes and practices to enable the business to adhere to and achieve the responsible investment goals of MGIM, e.g. record keeping, proxy voting, etc.

Principle 2 Cont...

The MGIM RIC agreed and introduced the following RI policies in 2021 which apply to all the portfolios that we manage:

» Responsible investing policy

» Climate change policy

» Proxy voting policy

» Engagement policy

We also introduced a Responsible Investing section to our website, where all of these policies and relating reporting are publicly available.

While the MGIM RIC provide leadership and oversight of Stewardship practices across the business, the investment team recognise and accept the collective responsibility for effective implementation on a day-to-day basis as well as the need to continue improving our processes relating to ESG integration. This is reinforced through direct or indirect reporting lines into Andrew Hardy, Investment Director and a member of the MGIM RIC, as well as sustainability related activities being explicitly included in business and team objectives.

MGIM has a board approved remuneration policy that observes the FCA remuneration code principles, that is aligned also with that of our list parent company.

Compensation for the investment team comprises fixed and variable elements. Base salary reflects responsibilities, experience, qualifications and skills. Variable compensation is awarded on a discretionary basis annually, and is a function of Group, business and individual performance. There is no explicit link to Stewardship within fixed or variable compensation, believing that such an approach carries the risk of distorting investment behaviour given the nature of the mandates the company manages. Rather, Stewardship related work is one of the factors that is considered during the normal process of staff evaluation, most notably in the case of fund management staff as part of consideration of the effectiveness of the investment research carried out.

Stewardship Resourcing

The Board of MGIM has considered the appropriateness of the company's approach to stewardship and related matters and considers it to be suitable given the nature of the mandates that the company manages, its size and its ability to intervene effectively with investee companies and funds in such matters. The principal advantage of the company's approach is that it is research based, and stewardship matters are integrally considered alongside the other characteristics of potential investee companies and funds.

In regard to dedicated resourcing, the Board has appointed three experienced and senior investment team members to lead and co-ordinate on stewardship matters, who are supported by additional resources within the team including an investment services executive.

Andrew Hardy
Director | Investment Management

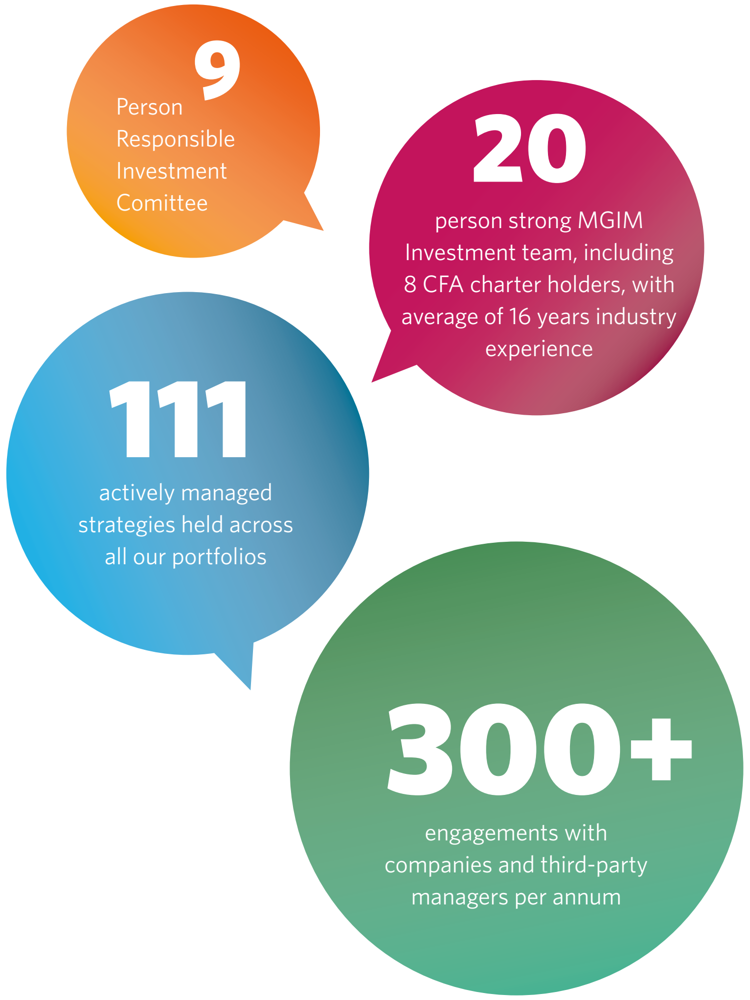
Richard Parfect
Portfolio Manager

Richard Stutley
Portfolio Manager

Gabby Byron
Investment Services Executive

Further to that, it is important to highlight the role that everyone within the investment team plays in ensuring that our RI policies are followed and that strong stewardship practices flow through everything we do. While other firms often choose to have separate ESG focused team members, we believe spreading that responsibility across the investment team as part of their ongoing research and monitoring, in combination with oversight from the RIC, is the more effective approach for our business.

The investment team considers stewardship and related matters on the basis set out in subsequent sections of this report. The investment team is organised such that a qualified and experienced fund manager or analyst has lead research responsibility for each investment made, whether in a fund or a company, and the company places significant importance on the quality of research undertaken, which is monitored on a peer group basis and by the executive investment director. It is expected that this research includes the formulation of a view of investee companies' and funds' approaches to stewardship and governance.



We have numerous resources available to support our stewardship related activity, including these below, which are used to varying degrees throughout our investment and portfolio management process:

» Morningstar / Sustainalytics and Financial Express: fund level data, for our own funds and those we invest in, including numerous ESG related datapoints and controversies involvement

» eVestment Alliance: segregated account level data, covering a wider global universe of managers, including many we current invest with, providing extensive holdings based and qualitative information to support our due diligence process

» Factset and Bloomberg: corporate financial data and other fundamentals to support our manager due diligence, attribution analysis and asset allocation processes.

» Broadridge: proxy voting services provided for our Luxembourg based funds. These are most relevant for our single asset class funds, where we appoint managers via segregated accounts instead of investing via funds, and therefore own securities directly and can dictate voting decisions.

» Third party manager relationships: we rely significantly on the third-party managers we appoint to help meet our stewardship and engagement potential with those companies we have indirect investments in. Our single largest manager relationship is with Robeco, managers of over EUR 170bn of ESG integrated strategies, who share significant research and resources with us that enhances our stewardship capabilities and activity.

Next steps

Our RIC and the broader business are eager to demonstrate continuous improvement in the stewardship outcomes that we deliver for clients. Key areas of focus over the next year are:

» Increasing alignment with Responsible

Investment practices across our portfolios, in particular reflecting our RI policies in our agreements with our segregated account sub-investment managers.

» Ensuring we meet the new incoming requirements of SFDR reporting for our Article 8 ESG integrated funds in Luxembourg, with high quality and timely reporting.

» Increase awareness of key ESG issues across the business and provide wider education opportunities, to further embed sustainable practices in what we do and create initiatives that can help us reduce our environmental footprint (see Responsible Living Committee in Principle 1).

Principle 3 - Conflicts of Interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Conflicts of Interest Policy

We have in place a conflicts of interest policy that is freely available on our website. The policy describes how we ensure we manage conflicts fairly and in the best interests of our clients. MGIM's policy on conflicts of interest is communicated to all new members of staff when they join the company via the Compliance Manual and Staff Handbook. The manual requires that "clients' interests are put first

and that employees disregard any other relationship, arrangement, material interest or conflict of interest which may influence any service which the company may provide to a client".

Due to the nature of our business, the main types of conflict we are likely to encounter are those between the interests of MGIM or its employees and the interests of clients (firm and client) and conflicts between clients (client and client). All MGIM individuals are responsible for identifying any actual and potential conflicts and notifying these to the Compliance Department who maintain a conflicts register detailing the systems, controls and procedures that are in place to manage the conflicts identified.

As part of the identification process, employees are required to disclose details of directorships and interests in other companies. The register is provided to the Board for review and challenge.

Similarly, MGIM's Personal Account Trading Policy requires that employees act according to the highest ethical standards and practice, and that they seek to minimise the risk of conflicts of interests with clients, the misuse of privileged or confidential information, or any involvement in insider trading, market abuse or interception of corporate opportunities.

View our conflicts of interest policy here

Managing conflicts

We will always attempt as far as possible to identify any circumstances which may give rise to a conflict of interests.

We acknowledge that it may not be possible to prevent conflicts of interest from arising and ensure that we put in place robust procedures to manage those conflicts.

We will manage identified or potential conflicts of interest by putting in place proportionate systems and controls to mitigate the risk of any of our clients receiving unfair treatment.

The Compliance Department monitor conflicts of interest as part of the risk-based compliance monitoring programme, the results of which are reported regularly to the Board. Breaches of policies or procedures used to manage conflicts would be escalated to the Board without delay.

Policies of mitigation will not only consider the treatment of client interests in relation to the interests of the firm and its employees, but also the treatment between clients.

We review our conflicts of interest policy at least annually or earlier should there be material changes to the business or the nature of conflicts'. The conflicts policy and potential conflicts were reviewed during the Seneca acquisition and integration.

Examples of how potential conflicts of interest are managed and mitigated

Potential Conflict	Mitigation
Profits and losses incurred as a result of errors	We apply the principle that a client should be put back into the position they would have been in had the error not occurred and there is no materiality level applied to trading errors.
Employee personal account dealing	Personal account trading of staff members is captured by MGIM's policy on personal account dealing, requiring scrutiny and pre-authorisation by senior management, prior to engaging in a trade for their own account. All employees are required to declare annually that they have complied with the policy and to provide details of personal dealings and holdings.
Rebates	MGIM do not benefit from rebates or fee waivers that it may receive, except as may otherwise be agreed in writing with the client concerned.
Commission arrangements	Our inducements and research policy governs the treatment of third party research to ensure it could not be construed as an inducement. We pay for third party research directly out of our own resources and require sub-investment managers to confirm that they have a research budget in place and a process to account for it and value it; and that research costs are unbundled.
Gifts, benefits or inducements	Gifts and entertainment policy set out in the Compliance Manual to restrict and monitor the giving or receiving of gifts or entertainment in line with FCA Rules. During the year this was updated to distinguish between different limits and reporting thresholds for each, as well as introducing a new annual limit per individual per firm.
Segregation of key functions	We maintain a sensible segregation of duties to avoid risks inherent in the trading activities based on the size and nature of MGIM's activities. Investment instructions are subject to a "four eyes" requirement of being signed off by two investment managers, such that no single individual is able to bind the firm to a transaction. Staff employed in regulatory oversight and review roles must have no operational responsibilities.
Client order and aggregation	Where the dealing desk receives an instruction to execute transactions in the same instrument for more than one client, the transactions will be aggregated where possible. Should the transactions not be executed in full, the executions will be allocated to clients in proportion to the size of their intended transactions.
Proxy voting arrangements	In carrying out proxy voting arrangements, MGIM seeks to consider the interests of the client in preference to the firm's interests, as set out in our Proxy Voting Policy. Contractual documents with our sub-investment managers require that they exercise proxy voting procedures in accordance with specified procedures.
Insider trading	Should any staff member become a party to material non-public price sensitive information from any source the information will be recorded by the compliance department on a "restricted securities list" and a prohibition placed on client dealing via the portfolio management system. Personal deals will also not be permitted.

Example: *The investment team participated in five market soundings during the year. In all cases information was kept on a need-to-know basis, and the individuals and companies involved were placed on an insiders list. Any personal account dealings were screened against that list and rules were introduced on our portfolio management system to prevent any trades being placed.*

Example: *Research was initiated around a potential new investment in a listed company that a close family member of one of our portfolio managers worked for. Our compliance team contacted the company to ensure that the individual was not in receipt of any insider information and that they had no objection to MGIM dealing in their shares. Although no investments were made in the end, the conflict was identified early and effectively managed.*

Principle 4 - Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Our investment and risk management approach

We have an investment team of twenty people at MGIM and we specialise in running diversified multi-asset, multi-specialist investment solutions for retail and institutional clients around the world, all anchored by a consistent, long term outcome-based investment philosophy. Our approach is characterised by being:

- active; across asset allocation and underlying selection,
- valuation driven; we take a multi-year view on allocating to areas that we believe to be undervalued,
- thorough; we conduct detailed, independent due diligence prior to all investment decisions, and
- diversified; risks abound and the best way to manage that is through effective diversification.

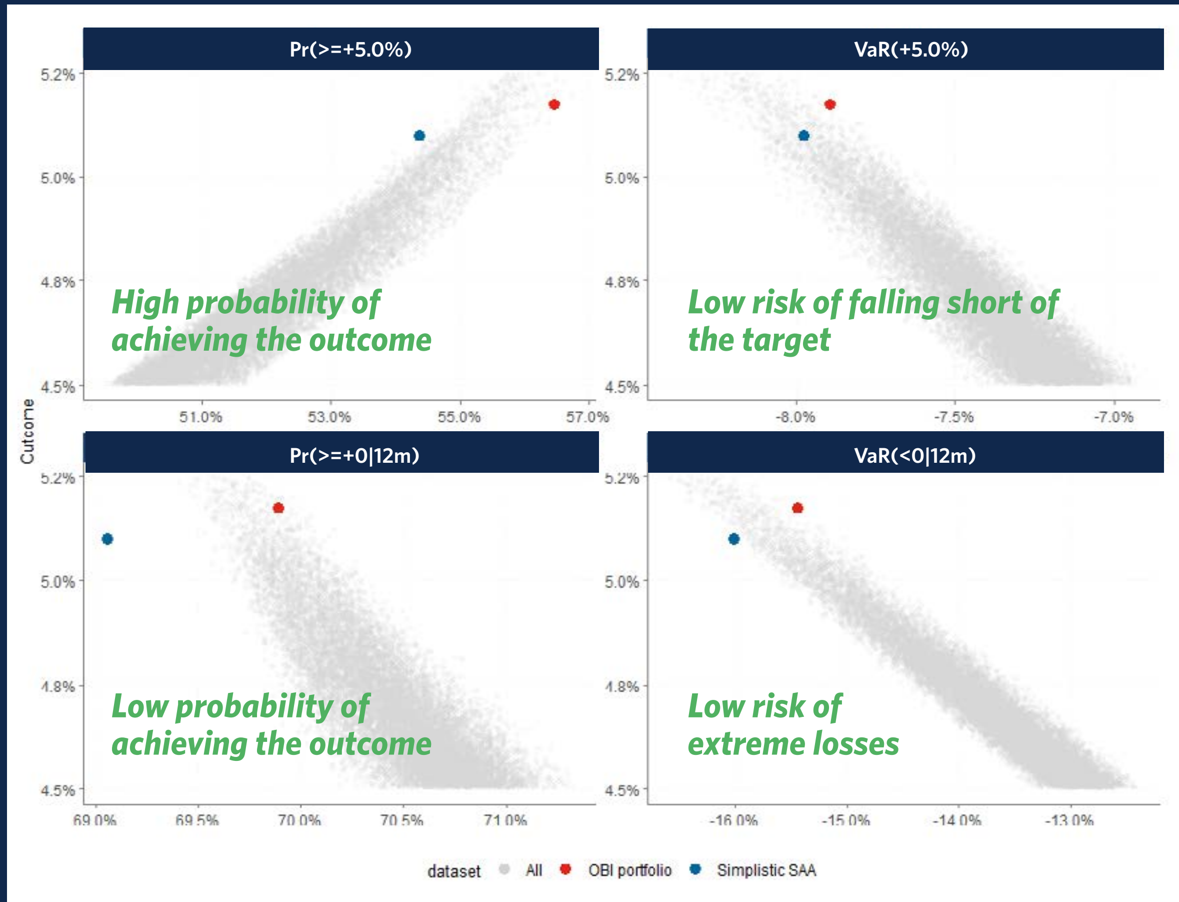
By taking a valuation driven approach to asset allocation, and at times a contrarian approach, we often go against the momentum in markets and exert a stabilising force in those areas and securities we invest in – a pre-requisite for well-functioning markets is a balance of views and participants. Our active, bottom-up approach to security selection – either directly or through third party managers – provides balance to the excesses of passive investing (which generally has a minimal/zero engagement policy with issuers) and contributes to effective price discovery and long-term capital support in deserving investments. By regularly engaging with the management teams of our investments, we often become trusted and valued partners, and we always remind them that our focus is on long term value creation and risk mitigation, rather than short term, unsustainable wins.

Our investment team operates as a unified group, striking a very healthy balance in combining specialisation with extensive collaboration and overlapping responsibilities, which avoids a silo-mentality. All research and analysis is readily available for all of the team to consume and active challenge and debate is strongly encouraged. The same applies for our wider UK business across all teams; it's how we operate and we believe it results in more robust and consistent outcomes for our clients and stakeholders. We have regular team-wide meetings where we share and debate research and views, in particular around asset allocation, investment selection and portfolio construction / risk management, which occur monthly or more frequently as required. A key bedrock of these discussions and our overall investment process is the asset class models and scenario analysis frameworks that we have developed over several years; These proprietary tools help us to achieve genuine diversification and increase the resilience of our portfolios to a range of different realised and hypothetical market environments.

Within our UK fund range there is a tier of return objectives and a commensurate increasing level of volatility tolerance. The funds with a lower tolerance for volatility utilise more of a blend of investment style (growth and value), whereas our higher returning (and consequently more volatile funds) focus on a pure "value" driven bottom up investment process supported by top-down asset class and macro sense checks, which can result in periods of shorter term underperformance (when "value" can be out of favour); in exchange for the expectation of higher longer term performance as the rules of valuation underpinning returns reassert themselves.

The way we design and manage solutions for our clients, with high levels of diversification and a focus on smoothing the journey over an appropriate investment horizon, helps keep clients invested over the longer term rather than driving high turnover. Our focus on reducing the volatility of portfolios is borne out by our strategic asset allocation design, where a key part of the process is optimising the blend of assets to minimise four measures of risk for investors in our solutions, which include the probability of not achieving the long-term target return and the maximum expected drawdown in any twelve-month period.

Example: optimisation of portfolio strategic asset allocation (SAA), based on proprietary simulations of expected performance for millions of different combinations. Our objective is to identify the SAA that minimises the four measures of risk (representing shortfall and volatility related risks).



Principle 4 Cont...

We also devote significant time and resources to supplementing our pure investment offerings with high levels of client engagement and support. These include regular detailed fund and market commentaries, weekly market update videos and blogs, and regular face to face contact with our clients all around the world. This transparency and accessibility, together with a relentless focus on smooth operational performance, creates strong partnerships with our clients, making it easier and more likely that they will remain invested for the long term, including through periods of market turbulence, where the absence of these conditions can otherwise contribute to greater dislocation.

We think all these aspects of our investment approach contribute to well-functioning financial markets.

Our culture

We uphold and are proud of the values of our business: accountability, integrity, excellence, teamwork, innovation and diversity. Rather than just being aspirational, they define how we do business and engage with our clients and internal stakeholders. We are a supportive and ambitious employer, benefiting from a boutique-like and autonomous culture, with strong backing and access to extensive resources as part of the larger MMH Group. Many of our employees comment that MGIM feels like an extended family, which has resulted in excellent retention rates, with an average tenure at MGIM of 8 years. Sustainability is increasingly a part of our language and we are dedicating more time to educating all of our staff on how we can improve the way we operate, both as a business and as individuals in our private lives.

Climate Change Risks

Our active approach, which means we're willing to invest significantly differently from market indices or peers, together with a long-term mindset, which requires deep analysis and understanding prior to allocating capital, also helps achieve and promote good stewardship. The key principles can never be ignored when one invests over a long multi-year horizon, given the impact that ESG related risks and poor stewardship can have on the value of investments.

Nowhere is that truer than in relation to the risks posed by climate change, something which we pay particular attention to for investments in the most exposed businesses, such as in the energy and mining sectors. Explicit focus is given to ESG related risks

for all investment decisions relating to corporate entities, through written discussion around those risks and in the case of our third-party investments in other managers, through a quantitative scoring methodology covering various distinct elements of their stewardship practices. If investments do not meet the required standards or are not showing signs of improvement then we are unlikely to invest or may choose to divest. We also encourage management to adopt, or in the case of third party strategies to themselves advocate, the TCFD (Task Force on Climate-Related Financial Disclosures) framework in order to increase awareness of the risks around climate change.

Activity relating to climate change risks

- **Data availability:** we increased our Morningstar subscription package to include fund level ESG related data from Sustainalytics. This provides our investment team with more insight into the risks and characteristics of the third party strategies we invest in.
- **Engagement on TCFD reporting:** in the case of one of our direct UK equity investments, operating in the energy sector, we established a dialogue with management around improving their climate risk related disclosures. While they do not currently conform to the TCFD framework in full, they are actively working to improve where possible, and we clearly communicated that further progress is necessary for us to remain invested.
- **Explicit ESG integration:** within our large Luxembourg UCITS fund range, we changed one existing fund and launched a new fund as ESG integrated strategies (Article 8 classification under SFDR). Key aspects of the mandates include certain activity-based exclusions, for example where significant revenue is derived from palm oil production (see Robeco discussion that follows), and the need to deliver a lower environmental footprint than the benchmark. Article 8 status for these funds allows us to better promote sustainability across our client base and increases the options available to our clients.
- **'Impact' investments:** we have increased our allocations to closed ended funds / listed investment trusts, in order to access a wider universe of investments including private assets which are otherwise incompatible with our liquid solutions. This has enabled us to include several investments which are clearly aligned with and contribute significantly in progress towards some of the UN SDG's. A prime example which relates to managing climate risks is Gore Street Energy Storage Company, which specialises in grid-standard battery storage, a key enabler for the greater use of renewable energy and thereby lower carbon emissions.

Collective Action

Our group are signatories to the UN PRI, and locally we are supporters of the UK Stewardship Code and the Code for Responsible Investing in South Africa (CRISA). We take our obligations seriously and strive to constantly improve our alignment with the best practice that is encouraged by these groups.

Our activity on behalf of our stakeholders and impact on the financial markets is generally bottom-up in nature, focusing on ensuring alignment with the standards and principles we support at the individual company and third party manager level. This normally takes the form of one-on-one engagement with management.

On occasion we have engaged with other shareholders of an issuer, where we feel actions needs to be taken. Similarly, we have not hesitated to raise concerns unilaterally and make recommendations to Boards to manage risks and protect or improve shareholder value.

Given our approach for most asset classes we allocate to and most of our assets under management is to delegate security selection responsibility to third party specialists, it is equally important to consider the action they take on our behalf. They are the ones that are closest to the relevant issues and risks and that are in the best position to effect change, so it is our responsibility to ensure we select the best stewards of capital who can go beyond just delivering superior risk/return outcomes over the long term for our clients. The following three examples represent our largest third party manager allocations and clearly demonstrate how our approach to manager selection ensures that client investments are helping to improve the world around us and address systemic risks:

Momentum GF Global Sustainable Equity: Environmental Footprint Reduction

-21.5%
greenhouse gas emissions

-22.3%
waste generation

-22.5%
water consumption

+20.9%
RobecoSAM Smart ESG Score

Robeco Asset Management

Our largest third party manager investment, represented across several of our portfolios, with total investments of over $1.2bn as at 30th June 2022. These investments include those of our Momentum GF Global Sustainable Equity Fund, which is sub-advised by Robeco. We view Robeco as being among the foremost leaders in sustainable investing practices globally across the investment management industry, with a long history of pioneering research into ESG risk factors and managing ESG integrated strategies. They are also highly active in engaging with investee companies globally and participating in collective action, as demonstrated by the extensive list of memberships, principles and practices that they support (link)

More specifically, in line with their commitment to the Finance for Biodiversity Pledge, Robeco collaborate and share knowledge on the assessment of methodologies, biodiversity-related metrics and financing approaches for positive impact with academia and practitioners. Related examples include:

- Helped prepare the launch of the Taskforce for Nature-related Financial Disclosures (TNFD).
- Collaborating with the Cambridge Institute for Sustainable Leadership (CISL) to advance academic research around the types of risks companies will face from the depletion of nature. A major step forward was the publication of the handbook for investors on nature-related risks in 2021 (link)
- In January 2019, Robeco included palm oil as a topic under the controversial behavior category in Robeco's exclusion policy (which applies to the Momentum GF Global Sustainable Equity Fund). They defined a set of principles and expectations that guide their interaction with the palm oil sector. The multi-faceted sustainability issues facing the industry can't be completely resolved by certification schemes alone. However, leading schemes such as the Roundtable on Sustainable Palm Oil (RSPO) play an important role in leveraging the uptake of best practices and increasing transparency. In 2021, Robeco raised its inclusion threshold for companies from 50% or less of their plantations that are RSPO certified to 80%. Other palm oil-producing companies are part of an engagement program in which Robeco requires them to make progress towards full RSPO certification and address potential controversies and breaches of the UN Global compact. Palm oil-producing companies that do not reach 80% RSPO certified plantations by 31 December 2024 will be excluded.

Morgan Stanley Investment Management

Our next-largest third party manager investment, also represented across several portfolios, with total investments of over $200m as at 30th June 2022. We have invested with their International Equity team for over ten years, but transitioned our holdings into their 'Global Sustain' strategy approximately two years ago. This is an ESG integrated strategy with several sector/activity related exclusions.

In response to climate change, the team we invest with has been conducting a comprehensive carbon engagement programme, which includes the identification of the holdings it owns that have not yet released carbon targets. The team's purpose when engaging with such companies is to ascertain why no targets have been set, and when they might be.

The team has also started to engage with companies where it believes that physical risk may be a concern. For example, in its latest engagement with a global beverage company it discussed its exposure to highly waterstressed areas, which would be the first to suffer from the impact of further physical climate change. The team also explored the company's actions to mitigate this risk (e.g. watershed restoration and reducing water intensity of production).

Maple Brown Abbott

Our largest third party manager investment outside of general equities, represented across most of our portfolios, with total investments of over $40m as at 30th June 2022. We have invested with their global listed infrastructure equity team for over five years.

This year Maple Brown Abbott (MBA) formalised their support of two climate related initiatives that are helping drive increased action and disclosure on climate change risk: the Taskforce on Climate-related Financial Disclosures, and the Transition Pathway Initiative, a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy.

The team actively engage with investee companies within their portfolio. A recent and relevant example is Enbridge, a midstream pipeline company with a focus on the transportation of crude oil and natural gas in North America. The company has a range of Indigenous relations programs of work, ranging from procurement spend, partnerships and community investment. However, a number of its projects remain controversial and the company has faced pushback and protest from a number of Indigenous communities in Canada and North America. In its reporting, the company states that it recognises the importance of the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), however, MBA sought to understand the extent to which Enbridge's processes are aligned with the UNDRIP and the principle of free, prior and informed consent (FPIC). MBA believe that Enbridge needs to better substantiate its support for UNDRIP and the principles of FPIC while working towards engagement that goes beyond the basic requirements of the law. In October 2020, the company committed to 3.5% Indigenous representation within its workforce by 2025 and now requires all new employees to complete cultural awareness training in 2021 (with a target of 100% completion for all employees by 2022). MBA are a member of the Enbridge CA100+ engagement working group and intend to discuss Indigenous relations with the company in the context of climate change.

Principle 5 - Review & Assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

MGIM's Board of Directors has overall responsibility for providing assurance over our stewardship activities, including the production of this Stewardship Report. Three Directors contributed to this Stewardship Report, including Ferdi van Heerden (Chief Executive Officer), Andrew Hardy (Director of Investment Management) and Elaine Smith (Chief Compliance Officer), and completed a final review prior to its submission. Each considered the report to provide a fair and balanced view of MGIM's approach to stewardship and has signed the report, these signatures can be view on our **Signature Page.**

The report was also reviewed by all members of the MGIM Responsible Investment Committee.

Several other committees contribute input and oversight to MGIM's stewardship related procedures and activities. These include:

- the MGIM Management Committee
- the MGIM Audit and Risk Committee
- the MGIM Responsible Investment Committee
- the MMH Responsible Investment Committee
- the MMH Outcome-Based Investment Committee

These committees are responsible for managing all aspects of MGIM's investment, marketing, operations and control oversight functions. Day to day the management committee has overall responsibility for our stewardship activity.

Specific regular and ongoing activities that provide assurance over our stewardship activities include:

Action	Meeting / update frequency
Compliance review of policies and procedures	At least annually or as necessary
MGIM Responsible Investment Committee	Meet at least four times per annum
MMH Responsible Investment Committee	Meet at least four times per annum
Engagement Register	Following relevant meetings or engagements with fund managers or companies
Proxy Voting Records	Received quarterly from third party managers and aggregated at least annually
Client Reporting	Annual Stewardship Report (MGIM) and Annual UNPRI Report (MMH)
Internal Assurance	Quarterly review by internal compliance of portfolio and process alignment with RI policies

A small but important change that we recently made was to include a review of the engagement register as part of the standing agenda for our quarterly RIC meetings. This ensures engagement activity, which is usually conducted by the investment team, is regularly reviewed by others and over time should help the committee to better evaluate the effectiveness of our engagement and where necessary suggest alternative approaches.

Audit of Investment Management and Operations Desks

While we seek assurance from several internal forums and committees around our stewardship activity and policies on a regular basis, we also sought independent assurance recently, around our broader processes and internal controls through an audit of our investment management and operations desks.

A factor behind the timing of this our acquisition of Seneca Investment Managers Limited in October 2020. This was followed by a successful integration project over the subsequent six months, with all Seneca staff and clients retained and moved across to Momentum. MGIM have a history of organic growth since the business was first established in the UK in 1998, so this transformational acquisition was a significant test for our governance structure, especially considering the pandemic related restrictions in place for most of the period.

The progress we've made since then highlights the strength of MGIM's processes and governance structures. We were able to preserve and build upon existing stewardship practices, maintain seamless continuity for all staff and clients and successfully integrate all employees into their respective MGIM teams.

The scope of the integration was further highlighted by two Seneca employees joining the Exco, one of whom was also appointed as an executive director of MGIM, while the former CEO of Seneca Investment Managers also joined the Board as a Non Executive Director. This has helped to achieve deep and enduring integration across the business and has provided clarity to all our new colleagues.

The fresh thinking and new intellectual challenge has benefited our processes across the business, for example through introducing a number of new internal and external staff and compliance policies, or through debate around asset classes and investment strategies that had not previously been covered.

During the course of 2022, we sought to test the robustness of our expanded business through an extensive internal audit process, run by KPMG. Focusing on the Investments and Operations teams, this captured the majority of our front, middle and back office processes. A total of 82 separate controls were tested, of which 100% were deemed to be adequately designed, and 99% were effective (1% controlled). This result is testament to the sound, resilient operating platform and processes that we continue to maintain, even after such a transformative change to our business.

Principle 6 - Client & Beneficiary Needs

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

MGIM's motto is "with us, investing is personal". We are focused on understanding and delivering on our clients' and beneficiaries' needs, and to that end our mandates are personalised, with different portfolios targeting different investment time horizons, risk and return objectives and social and environmental goals.

Who are our clients?

MGIM's client base is fairly evenly split between retail and institutional investors, as shown in Figure 1 below:

MGIM supports the advice process and many of our clients are therefore financial advisors who recommend our products via life companies and platforms. As such, we don't have precise data on where underlying beneficiaries normally reside, but our assets under management (AUM) are approximately divided as follows, based on where advisors are headquartered as shown in Figure 2 below:

Figure 1

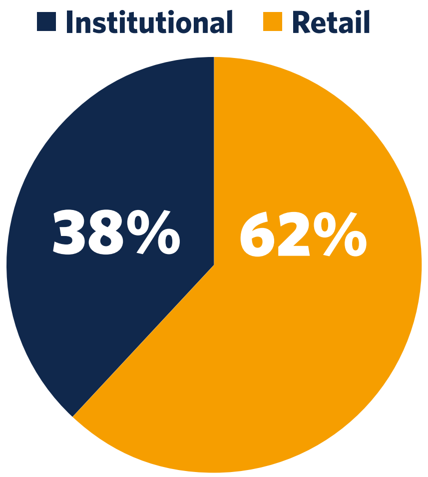
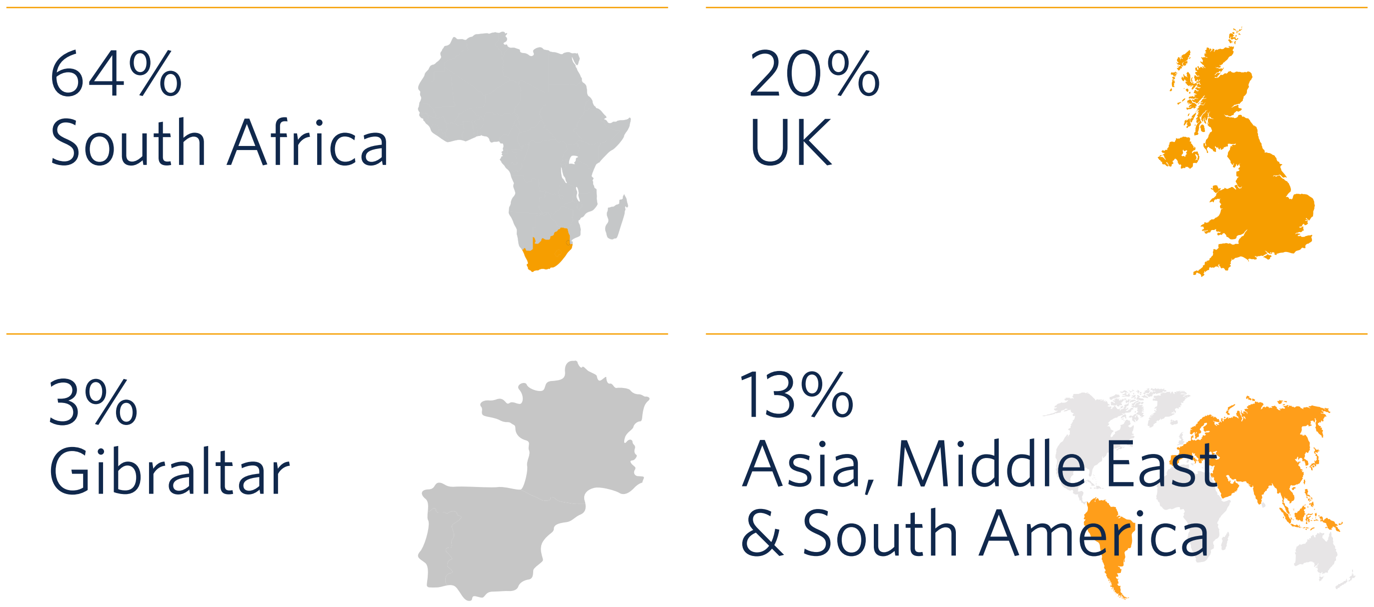


Figure 2



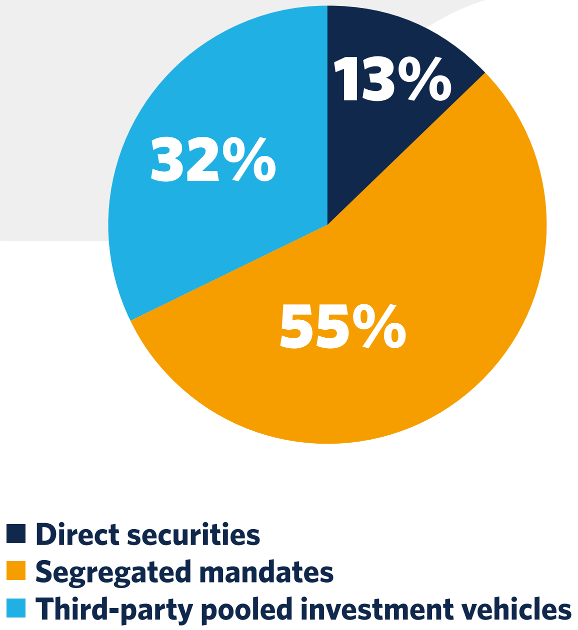
Our portfolios

We design portfolios to match our clients' different investment time horizons. A portfolio's time horizon is one of four key elements that goes into our initial design process, alongside: the real return objective; attitudes towards risk, which we define as the potential for shorter term and longer term drawdowns; and any asset class exclusions or other constraints.

We also offer accumulating as well as income-paying portfolios/share classes, to cater for the needs of different clients.

We invest clients' capital globally and across asset classes. MGIM has net AUM of £4.4bn (at 30/06/2022) . On a lookthrough basis* these are split approximately 77% equity; 11% fixed income; 4% property and infrastructure; 2% commodities; 1% alternative investments, with cash and equivalents making up the balance.

We invest directly in securities but also via segregated mandates and third-party pooled investment vehicles:



Hence, having understood our clients' needs, we transmit them to our third-party managers and other service providers.

**The AUM split on p4 did not look through to the underlying asset allocation of our multi-asset solutions in this way.*

Activity

The four key elements of a portfolio's initial design, referred to above, are agreed through discussions with the client prior to the start of our relationship, and then again at regular intervals throughout the life of that relationship. We educate clients on the range of return profiles that we think can be achieved over different investment time horizons and incorporating different social and environmental goals, using history as an objective guide.

Monitoring our portfolios

All MGIM strategies go through initial and ongoing product governance reviews to ensure they meet clients' and beneficiaries' needs. Product governance reviews address all significant product management matters, including financial, reputational or brand value risk in relation to the marketing, client positioning, pricing, tax treatment, and market conduct of the products distributed or manufactured by the firm, to ensure that end recipients are treated fairly.

Product governance meetings are held quarterly and are attended by senior staff from across MGIM's business.

MGIM's internal systems and controls monitor portfolios' alignment with their mandates. The Group risk team overseas the system and risk control environment, reporting directly to the Management

Committee's Audit and Risk Committee and reporting along with this committee directly to the UK Board. MGIM's Manco also reviews investment performance and delivery versus objectives.

Monitoring of our third-party managers is foremost the responsibility of the primary and secondary analysts assigned to cover that manager. Members of the investment team meet with managers regularly and will discuss, among other things: portfolio performance; positioning; trading activity; liquidity; and voting activity. MGIM places significant importance on the quality of research undertaken, which is monitored by peers in the day-to-day course of business, and also formally by executive and non-executive directors.

Principle 6 Cont...

Providing feedback to clients

We provide feedback on our activities in written format, in videos and via face-to-face meetings with clients. We produce the following regular reporting: monthly factsheets; quarterly reports; annual reports that accompany the accounts; and ad hoc reporting. These reports cover asset class returns; economic and market commentary; investment returns; and investment commentary, including a review of the activity of our third-party managers. We also provide insights on current investment trends via weekly blogs; weekly videos; and ad hoc thought leadership pieces. All this reporting is public and can be found on our website.

Permanent resources for clients and beneficiaries on our approach to sustainability include the Responsible Investing section on our website, while answers to ESG-related questions in our standard Request for Proposal are available upon request. This document, which we publish on our website, also serves to update clients on our stewardship approach and recent activity, and that of our third-party managers.

Our business development team engage regularly with the intermediaries of our retail investor base to communicate our philosophy, process and activities. Feedback from advisers and the views of their clients is received in these engagements and fed where necessary to the investment team.

The investment team meet regularly with third-party boards and committees, where such bodies have appointed MGIM as their investment manager. For example:

» The investment team meet regularly with the Board of Directors of the Momentum Multi Asset Value Trust. These meetings see the Board rigorously appraise the actions (including matters over governance and stewardship) of the investment team and the Board acts as the representative body of the owners of the company (shareholders).

» A similar process is undertaken in periodic meetings with the Board of Trustees of a segregated pension fund, which is now fully funded and will therefore be transitioning to an LDI scheme later this year, and also with the investment committees of several white label fund ranges.

We use as many methods as possible to keep clients updated, in order to cater for their different preferences. We welcome feedback from our clients on all the one-to-many content we create, which is always accompanied by information on ways to contact us, while face-to-face meetings allow for more timely client feedback. We also seek the views of beneficiaries and clients via our annual client feedback survey.

Outcome

Portfolio management review

During the period we:

» Managed 18 portfolios in accordance with Distribution Technology's risk rating system.

» Moved two of our Luxembourg funds into our UCITS structure and closed the old SICAV-SIF structure that used to house them.

» Reopened a share class in one fund range, following a review of its fee structure and valuation process.

» Updated the strategic asset allocations for two ranges of white label funds managed for South African clients, to better align the expected risk and return profiles with the needs of each firm's advisers and their underlying investors.

Each of our quarterly product governance review meetings focused on a different portfolio range, and we concluded from these meetings that portfolios were being managed in line with clients' stewardship and investment policies.

Based on regular review meetings with our third-party managers, we concluded that they were also acting in line with our expectations over this latest reporting period. We scrutinise our managers' activities – including activities relating to stewardship – closely, as demonstrated by the following example:

Have our managers delivered on our expectations over this latest reporting period?

Sequoia are signatories of the UN PRI and the SFRD, and confirmed at our meeting in July 2021 that they would be adopting the recommendations of the Task Force for Climate Related Financial Disclosures (TCFD). Sequoia employ negative screening and thematic investing (positive screening) for portfolio loans, and they ascribe an ESG score to companies that fall mid-way between the negative and positive screening.

Some aspects of the policy appeared inconsistent to us, for example excluding oil and gas extraction companies but allowing mid-stream gas assets (pipelines). We raised these issues with them, but following discussion, we were satisfied that overall these changes strengthen their ESG processes.

Feedback from our clients

Based on meetings with clients during the period, we have:

1. Launched a sustainable model portfolio range to meet client demand in the UK.
2. Embarked on a project to launch a real assets fund in the UK, given a lack of options in the market at present.
3. Created new documentation for the launch of new model portfolios and funds, specifically incorporating ESG criteria and language.
4. We receive regular feedback from our clients on our reporting. During the period, we made changes to our website to make it more intuitive and thereby improve the client experience.

The results of our Annual Client Survey 2022 were discussed at the MGIM Board Meeting of August 2022. Respondent numbers were strong this year with 159 clients completing the survey. All metrics with which we measure client support were increased when compared to the previous year, other than responsiveness, which was marginally down. Metrics include usefulness of communications (81%), responsiveness to enquiries (78%), website functionality (70%), social media content (63%) and overall client service (87%). Following feedback from the annual survey, development areas in the year ahead include improving the website navigation experience, improving our media coverage visibility and usability for advisers and increasing social media awareness.

At MGIM, we pride ourselves on our commitment to client service and the valued partnerships we have built with our clients. We were therefore thrilled that this was reflected in the results of the survey, with 93% of clients confirming that they were likely to or had already recommended Momentum to colleagues.

Principle 7 - Stewardship, Investment & ESG Integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

At MGIM we believe in detailed analysis of the issuers we invest in and the third-party managers we partner with. As such, we incorporate ESG factors into our analysis in the same way that we analyse all other material aspects of the investments we make.

In all cases where it is available, we use ESG data from Sustainalytics in order to identify opportunities and risks arising from ESG factors. This data forms part of our appraisal of issuers when making direct investments and is also referred to when critiquing our managers' decisions in the case of our indirect investments.

Exclusions

All our portfolios exclude investments in businesses that are involved (directly or indirectly) with the production or distribution of cluster munitions. We monitor this for our direct investments primarily through: scrutiny of a company's pro forma accounts; familiarity with their management teams and directors; and using data from Sustainalytics. We receive holdings from our third-party managers periodically (at least semi-annually, in line with our manager review cycle) which allows us to monitor them using Sustainalytics in the same way.

Additional exclusions are incorporated into some portfolios to reflect the needs of specific clients and beneficiaries. For example, the Momentum GF Global Sustainable Equity Fund also excludes companies who derive a significant proportion of their revenue from activities including the production of coal, tobacco, nuclear power and palm oil.

ESG integration

Beyond these limited exclusions, we follow an integrated approach to responsible investment across our business.

Different industries are exposed to different ESG risks and some of these risks are unavoidable given the current state of technology. While we are committed to transitioning to a low carbon economy, as a member of the PRI Investor Just Transition Working Group, we support a process that takes into account the social impact of this transition. We therefore evaluate investees relative to peers in the same industry. We also give credit where investees are making improvements to the way they operate from a sustainability perspective.

We are guided by the UN PRI in determining actions and behaviours that are consistent with an integrated ESG approach, whilst supplementing that with research and suggestions from industry level bodies. We recognise the SDGs and their many underlying targets as providing a more specific guide to best practice by issuers.

"Under the broad headings of E, S and G, the criteria that we prioritise are":

Environmental conduct of operations

We expect all companies to conduct their operations in as economically efficient way as possible. As pollution and industrial accidents cost companies money through taxation and legal recourse, poor operational practices will hinder returns and reduce the attractiveness of companies for investment.

Social conduct of operations

We expect companies to conduct themselves with due regard for their duty of care towards their own workforce and the communities they serve. The constant evolution of the legal landscape for companies, in particular those operating within the UK, places increasing requirements on companies to support the communities they serve. These developments are perhaps most visible in the infrastructure and property sectors, in which we, as multi-asset investors, have a material investment.

Governance of operations

We seek evidence that there is sufficient "skin in the game" from management of companies and the Board of Directors. Regular contact with shareholders is considered mandatory and no investment is made unless management have been engaged with directly. When companies have fallen into difficulty at an operational level we have held direct contact with management and their boards and in some cases instructed changes and improvements to the governance.

How do we influence our third-party managers?

The Investment Management Agreements (IMAs) that we require our sub investment managers to sign, embed the same limited exclusions on cluster munitions that apply to all our portfolios. They also require managers to vote proxies diligently and in accordance with their written proxy voting policies and procedures. We are planning to embed more of our policies – for example, our proxy voting policy – into our IMAs and we will provide an update on our progress in our next stewardship report. In the meantime, the ultimate tool we have to control the activity of our managers (including managers of the third-party pooled investment vehicles in which we invest) is our ability to terminate their services if we their actions do not meet our expectations, as tracked through our manager scorecards and regular update meetings.

Activity

MGIM places significant importance on the quality of research undertaken, which is monitored by peers in the day-to-day course of business, and also formally by executive and non-executive directors. This research must include the formulation of a view of investee companies' and funds' approaches to sustainability, and management of material ESG issues.

We determine which ESG issues are material through ongoing research of the areas in which we are invested. Sustainalytics data is used to cross-reference our understanding of a business's risk factors, and to flag potential issues in those companies we are exposed to indirectly, and are therefore less familiar with, via our sub investment managers and the third-party pooled investment vehicles we hold. Sustainalytics provides aggregate data on a large number of third-party pooled investment vehicles, as well as data on certain individual companies.

Asset classes that we exclude from our ESG analysis

Our approach to integrating ESG is consistent across different geographies, but varies by asset class and investment approach (depending on whether security selection is implemented directly, via segregated mandates or via third-party pooled investment vehicles).

To ensure adequate risk management and diversification in our portfolios, we do not assess government bonds, alternative strategies and collective investment schemes investing in commodities, against ESG criteria currently. There are two key practical limitations when it comes to assessing sovereign debt against these criteria: firstly, the concentrated nature of sovereign debt markets means that excluding one of the key issuers – for example, the United States or Japan – would seriously limit one's ability to source bonds and to manage benchmark-relative risk. Secondly, there is a lack of consistent data on material ESG issues, and limited consensus regarding frameworks and techniques for evaluating ESG risk within sovereign debt. We review our decision to exclude these asset classes periodically.

Outcome:

How have we incorporated ESG considerations into our investment decisions over the period?

Environmental conduct of operations

Over the years we have supported the Initial Public Offerings and many subsequent equity raises by renewable energy and other infrastructure trusts including: Greencoat UK Wind (operates UK wind farms), JL Environmental Assets (operates solar, wind and anaerobic digestion plants), Gore Street Energy Storage Fund (operates battery storage in UK and Ireland) and International Public Partnerships (part owner of Cadent which is exploring ways of using the gas distribution network to carry low carbon Hydrogen; owns Offshore Transmissions Operators, that brings electricity onshore from offshore wind generators).

Social Conduct of Operations

We have supported PRS REIT since IPO. The company is building new high quality housing stock for rent to families, in addition they seek to help support the development of communities with various social activities and the direct financial support of local charities serving those communities. The management worked closely with tenant families that were temporarily hit by the economic damage caused by COVID-19; this included a 20% rent reduction for NHS staff during lockdown and proactively contacting all other tenants and offering payment adjustment options over the crisis. They also made cash donations to 4 charities plus foodbank donations.

We have also supported the IPO and subsequent primary capital raises of Home REIT which is funding the development of new supply of low cost accommodation for homeless people and to facilitate their rehabilitation and training to re-integrate into society.

Where we are made aware of instances where companies fall short of their legal requirements or incidents/accidents have occurred in one of our investments, we engage with the management teams concerned to establish the circumstances and what actions are being taken to show that improvements have been made.

Case Study

Momentum Africa Real Estate Fund (MAREF)

MAREF is a $205m institutional real estate fund that finances and develops commercial real estate within sub-Saharan Africa excluding South Africa. MAREF benefits from the unique blend of Eris Property Group, a property developer, and the fund management experience of MGIM, both subsidiaries of MMH.

Environmental

MAREFs environmental benchmarking for all current and future property developments is led by IFC EDGE specifications. However, should a client request a different environmental benchmark MAREF will cater to this, subject to the new environmental benchmark being of higher standards than IFC EDGE.

For example, The Rose development, MAREFs on-going service apartment development in Nairobi, Kenya, will be LEED (Leadership in Energy and Environmental Design) Silver certified. LEED is a green building certification program used worldwide, an initiative of the U.S. Green Building Council.

MAREF, where possible, contributes to the global initiative and economic impact of efficient water and power resource utilisation within their developments by:

- Implementing alternative economically viable renewable energy source.
- Evaluating value opportunities that can be created from waste
- Identifying and resolving operational efficiencies created at the design stage
- The Strict application of applicable environmental legislation and standards and an outcome-based Green Building strategy requiring achievement of IFC EDGE certification.

Award: Mon Tresor Business Gateway, MAREF's office development in Mauritius, which was completed in August 2018, won the Best Green Building in Africa award at the API Awards 2019.

Social: Job Creation and Community

Job Creation

During the construction phase of SU Tower and 335 Place, two assets developed by MAREF in Accra, Ghana, MAREF created 1,215 jobs. MAREFs current development in Nairobi, Kenya, The Rose, is forecasted to create 1,000 jobs during construction and 80 to 90 sustained permanent jobs for the serviced apartment operations. In addition, for all MAREFs project, we incorporate a programme of upskilling staff so those with the most basic jobs can be trained for more specialist roles, making them more employable in the future.

Community

During the development and construction of 335 Place, we experienced severe flooding of the N1 highway immediately in front of the property. The rainwater covered all three lanes and completely cut off the traffic.

Our project engineer determined that the drainage pipes beneath the highway had insufficient capacity.

We invested a small portion of the project savings on installing an additional, and much larger pipe underneath the highway which has proved to be adequate during subsequent rainstorms. This has had a positive tangible impact on the broader community.

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335 Place - Before Development

Before the introduction of the drainage pipe system the community was susceptible to severe flooding.

335 Place - After Development

The introduction of the drainage pipe system when 335 Place was developed has made a huge impact on the community.

Furthermore, for The Rose, the serviced apartment development currently under construction in Nairobi, Kenya, MAREF are working closely with the local resident's association to upgrade the roads for the local community and provide a new water tower. To date MAREF has upgraded some of the roads in the surrounding neighbourhood and will complete the road upgrade (from dirt to paved) when construction completes in mid-2024 (and there are no longer trucks and diggers rolling over it!!). The construction of the water tower is well under way and is due to complete by the end of 2022, much to the delight of the residents.

The Rose Development

Governance

MAREFs governance benchmarking for all property development projects align with the IFC Performance Standards 1 to 8.

A tangible example of MAREFs governance, Performance Standard 5 - Land Acquisition and Involuntary Resettlement. Before construction of 335 Place there was a small trading market adjacent to the site.

Before we could start construction the traders and the market had to be relocated. MAREF hired a consultant to work with the local community to ensure these traders were adequately compensated for the resettlement and set up in a destination that either enhanced their trading or at a minimum kept it constant. MAREF are happy to report that all traders were happy with the proposal and relocated without any issue.

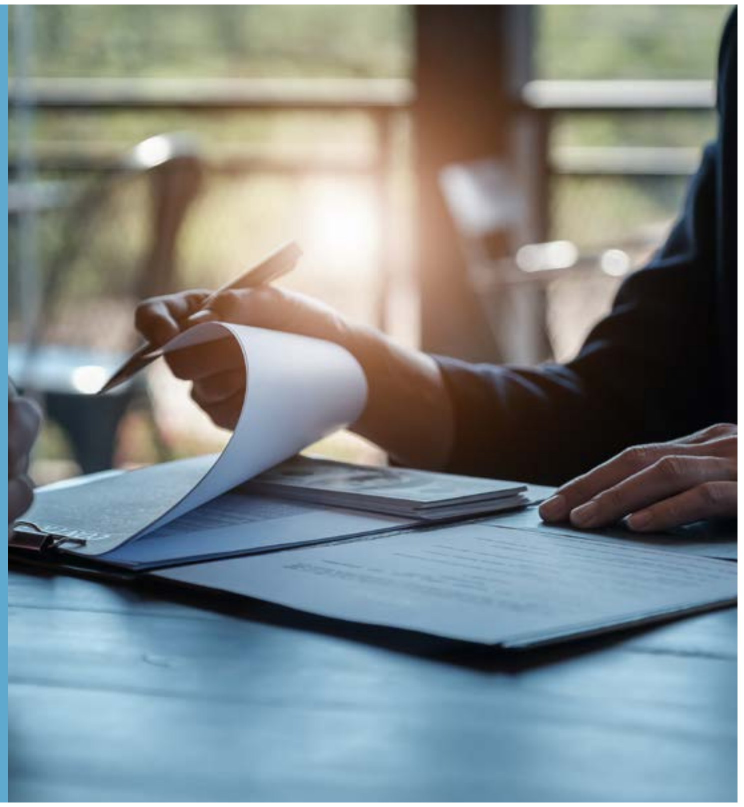
How have our managers incorporated ESG considerations into their investment decisions over the period?

Example:

The Momentum GF Global Sustainable Equity Fund is our flagship ESG equity fund, with Robeco Asset Management appointed as the sub investment manager. It targets consistent alpha (and hence a high information ratio) versus the MSCI World Index, while simultaneously delivering an improved sustainability profile. It targets a minimum 20% reduction in key environmental footprint measures, namely water usage, greenhouse gas emissions (scope 1 & 2) and waste generation, and at least a 20% better ESG score based on third-party ratings. Over the past year, it has achieved a 20-30% reduction in these key footprint metrics. The fund achieves that by excluding stocks with exposure to sectors such as coal, tobacco, palm oil, firearms and nuclear power, while also integrating ESG considerations in the investment process and having higher allocations to companies scoring better on a range of ESG metrics.

Example:

Jennison, one of our global equity managers, sold two stocks, Snapchat (sold Q4 2021) and Sea Ltd (sold Q1 2022), on governance grounds during the reporting period. In the case of Snapchat, Jennison were not happy with communication from the board regarding the impact of Apple's privacy changes, specifically that expectations for 50% revenue growth were optimistic as a result of these changes. With Sea, the company had restructured voting rights in favour of the original founder in order to reduce Chinese influence via Tencent's ownership. While the move appears to have been driven by commercial interests, Jennison sold due to deteriorating governance standards.



Have our service providers delivered on our expectations?

We have held over 300 meetings with our third-party managers over the period. Meetings with our sub investment managers revealed the following regarding their stewardship activities:

1. At our meeting in March 2022, we learnt that Rainier, an international SMID cap equity manager, were investing more in renewables – for example Japanese solar power – and moving away from traditional energy. Rainier are structurally bullish on hydrogen and other renewable energy sources for investment and sustainability reasons, however they had been forced to sell some names on valuation grounds in earlier years. Since the Ukraine war and resultant energy supply issues in Europe, the fair value proposition has changed, allowing the team to add to this area.
2. Paradice, (Global SMID cap equity) have added new staff assisting on ESG analysis and are using SASB data. The team will not automatically exclude energy names with their new ESG approach; they take the view that companies like ChampionX are helping upstream companies reduce their resource consumption, and so improving efficiency generally.
3. At our meeting in April 2022, Granahan(US SMID cap equity) confirmed that there had been no changes in their approach to ESG post the partnership with Kudu, a US-based private equity firm who acquired a stake in Granahan's business.

We review the following key ESG indicators that are provided by Sustainalytics, as a reasonably objective assessment of the risks investments are exposed to: Sustainability Score (rank in global category and absolute score); Product involvement % in certain controversial or excluded activities / product lines; Percent of AUM with high/severe ESG risk scores.

Through manager discussions we have found that Sustainalytics' data can at times paint an incomplete picture, but it is nonetheless still helpful in guiding our discussion and often enables us to challenge managers effectively on how well they live up to their stated ESG integration approach, as the following examples serve to illustrate:

Example:

Sustainalytics data highlighted risks around two stocks in the pooled investment vehicle of one of our European equity managers, Magallanes: Maersk Drilling, a shale oil producer, and Aker BP, a global shipping company. We interrogated Magallanes on each company's carbon targets and investment pipeline and received comprehensive answers, reflecting Magallanes' deep understanding of their investee companies and integration of environmental considerations. Specifically, Magallanes shared evidence of these companies improving their environmental footprint and ESG practices. Examples include the renewal of their fleets; operations being re-organised to improve efficiency and reduce emissions; and paths towards net-zero being tested, quantified and structured appropriately.

Example:

During our meeting on the Absalon Emerging Markets Corporate Debt Fund in November 2021, we discussed Absalon's use of Sustainalytics' Global Standards Screening tool, which seeks to identify companies that violate international standards such as the United Nations' Global Compact Principles. Absalon reported a reduction of issuer exposure to both the Watchlist and Non-compliant Lists. For issuers on either list that the Fund continues to hold, Absalon monitor the latest research from Sustainalytics, and monitor progress in the issuer achieving certain milestones in order to become compliant. Where the company demonstrates an unwillingness to solve violations, the company is placed on Absalon's Exclusion List. During 2021, the Fund sold a position in Adani Ports after the company was placed on their Exclusion List. The team found that management continue to be involved in projects in Australia and India that have a negative environmental impact on local water systems and aquatic ecosystems.

Should we see a deterioration in the quality of Sustainalytics' data, we will revisit our original selection process and re-examine alternatives.

Principle 8 - Monitoring Managers & Service Providers

Signatories monitor and hold to account managers and/or service providers.

MGIM invest directly in issuers as well as via third-party investment managers (appointed on a segregated basis or else accessed via pooled investment vehicles).

To aid our investment process, we use:

» ESG data from Sustainalytics (owned and provided by Morningstar), supplemented by other sources;

» Research services.

The vast majority of research is undertaken internally. However, we do also procure research services from several external providers at competitive rates using our own financial resources which is not recharged to clients. Regular communication with numerous research providers aids in the price discovery process. Fund managers are the main consumers of research and continually appraise the quality and usefulness of the research received. The fee for research services is agreed and reviewed on an annual basis, but agreements are structured with short notice periods of cancellation.

Our key service providers with respect to stewardship are therefore our third-party investment managers and Sustainalytics.

Use of proxy advisors

We do not use default recommendations of proxy advisors. We are notified of upcoming votes via the proxy voting services provided by our custodians. Primary analysts monitor each investment closely to ensure that we receive notification of all meetings and votes are cast in accordance with our Proxy Voting Policy.

We conduct proprietary research into third-party investment managers in order to satisfy ourselves that they integrate ESG criteria in their investment processes in a manner that is consistent with our own approach.

Our manager research process involves both quantitative and qualitative analysis. This analysis is summarised in the scorecards we produce for managers, which cover 5 key areas of their strategy and over 40 sub fields, from firm focus to the strategy's involvement in excluded activities / product lines, according to data from Sustainalytics.

Specifically with regards to ESG, we address the following aspects of a candidate fund in our scorecards: governance; environmental policy; social policy; ESG integration; ESG resources; and active ownership.

We also review the following key ESG indicators that are provided by Sustainalytics, as a reasonably objective assessment of the risks investments are exposed to: Sustainability Score (rank in global category and absolute score); Product involvement % in certain controversial or excluded activities / product lines; Percent of AUM with high/severe ESG risk scores.

Regardless of specific ESG requirements in a portfolio mandate, we give detailed consideration to any investment that is assessed as being below average on any of these key indicators. In such cases we obtain additional information on the underlying drivers and if appropriate engage with the investment manager, to ensure we incorporate that information into our assessment of the additional risks involved.

Activity

Manager meetings

Frequent engagement with our third-party managers is integral to our investment process. At a manager review meeting, the primary analyst will usually review the following: performance-based analysis; holdings-based analysis; trading analysis; liquidity; proxy voting decisions; and areas of ESG risk identified by Sustainalytics or through other research.

Regular meetings with managers alongside desk-based analysis, helps primary and secondary analysts to complete manager scorecards, which are reviewed by the investment team at regular Scorecard review meetings. Asset class review meetings are attended by the full investment team and provide a further review of this process across a wider range of third-party managers.

We held over 300 manager review meetings over the period.

Review of Sustainalytics data

We subscribe to Sustainalytics' fund level ESG data . This followed a review process in 2020 of the following ESG data providers: Sustainalytics, MSCI, RobecoSAM, FTSE Russell, RepRisk and ISS. Sustainalytics were deemed most suitable for our needs across coverage; scope; data sources; and analysis and output. Sustainalytics data is used to supplement analysts' research, as described above. Conversations with managers and other ongoing research provide a real time review of this data.

Outcome

Meetings with our third-party managers led to decisions in our portfolios over the period, as demonstrated in the following examples:

Example: The Contrarius Global Equity portfolio in November 2021 was notable for the high proportion of energy stocks and we therefore challenged them on the robustness of their ESG integration. They confirmed that they are able to buy polluting companies which are improving, consistent with our own approach to the energy transition. ESG is integrated into the risk star portfolio construction rating: a process that ensures riskier companies are capped in terms of their exposure in the fund at cost. They have also added a dedicated person in charge of shareholder engagement to bolster their efforts in this area and ESG scoring forms a distinct part of the risk rating process. They assess ESG criteria independently with little interaction with company management, and will sell names where engagement is not reciprocated (e.g. MSG Networks where they disagreed with management using their preferential voting rights to force through amendments).

Example: In February 2022, we launched our first sustainable multi asset fund, Harmony Sustainable Growth, having successfully applied for Article 8 status for one of our global equity strategies the previous year. The design project for this new fund saw us exclude a number of our preferred third-party managers, on the basis that their ESG integration, while rigorous, did not represent best-in-class. Examples included Jennison, Prusik, Morant Wright and Contrarius.

Meetings also revealed a number of new stewardship initiatives being implemented by our third-party managers:

Example: The Jupiter Global Emerging Markets Short Duration Bond has successfully applied for Article 8 status. The team invest alongside companies that score highly on all ESG metrics, or where their analysis and engagement leads them to believe scores will improve through time. Where a controversy materialises, Jupiter use engagement to encourage companies to improve performance and actively monitor any measures taken to address our concerns.

Example: At our meeting with Aikya, one of our global emerging markets equity specialists, in 2022, we discussed the double-materiality test they apply and their approach to monitoring companies KPIs. Aikya look for companies that have some ESG purpose aligned with their core business, so that economic benefits go hand-in-hand with wider societal goals, rather than the two being in conflict. Portfolio companies should also have quantifiable KPIs that Aikya can monitor objectively and regularly. The team have also spent time developing an Environmental Resource Intensity index, which measures the quantity of natural resources being consumed by each business line.

Changes to our processes

Events in Ukraine required changes to our processes for monitoring third-party managers. Today we continue to gather information from managers on the sanctions they adhere to and we require strict compliance with all those relevant to our funds (OFAC, EU and UK).

Separately, we are working on a research database to act as a central location for all our research, to increase efficiency across the team and facilitate better sharing of information with other teams within the business.

Principle 9 - Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

Where we invest directly with issuers (primarily within UK equities and specialist assets, such as property and infrastructure), we have direct meetings with companies. Where investments are made by a third party manager, either via a segregated mandate or by owning shares of an Open Ended Investment Company (OEIC), then we have no direct relationship with the underlying issuers, but instead our views on matters are communicated with the third party manager, and we then monitor their engagements with issuers

Activity

Our engagement with our investee companies and third party investments we hold takes various forms depending on the investment type and the asset class:

	Direct UK equities	Third party funds & segregated mandates	Investment Trusts (REITs, listed Private equity, Infrastructure Trusts, Specialist Debt Trusts)
Direct meetings with companies	Yes		
Direct meetings with board members			Yes
Direct meetings with third party fund managers		Yes	Yes
Phone calls / conference calls	Yes	Yes	Yes
Email communications	Yes	Yes	Yes
Voting at AGM	Selectively		Selectively

We endeavour to identify problems at an early stage.Monitoring of company performance and activity is regularly carried out through our internal fund managers' due diligence process involving direct investee company meetings, press coverage andoccasionally drawing on independent broker research. The level of active engagement we conduct on each investment and any escalation of concerns we may have to the point of direct dialogue with respective Boards or other stakeholders will reflect a number of factors, including (but not limited to):

- » The size of investment within our portfolios
- » The performance of the investment (underperformance will typically attract closer attention)
- » The likelihood of success any escalation of action will have
- » Time constraints and other portfolio demands requiring action at the time

We will view Board structures, independent or otherwise, review the CVs of Board members, to satisfy ourselves of the effectiveness of the investee company's board and committee structures and discuss with the company brokers any issues arising. While there can occasionally be divergence from generally accepted good practice in larger UK listed companies (although this is becoming less common) e.g. combined Chief Executive and Executive Chairman roles where an individual has served with a company for many years, such instances are much less prevalent and we would consider them to be unacceptable in the "specialist assets" arena, where an independent non-executive board would normally exist above the executive team.

Given the number of positions held and the resources available, we do not usually attend General Meetings, finding one on one private meetings to be far more productive than those held in a public arena.

Third party managers appointed to manage segregated mandates on our behalf, are responsible for engagement with underlying issuers. We believe this arrangement is most appropriate, on the basis that our managers are closer to the businesses in which they are invested. We form an expectation of the key characteristics of a manager's investment process prior to investment – including their approach to engagement – and seek to satisfy ourselves that they are doing what we expect them to, as part of our ongoing due diligence process.

Issues of particular interest:

When investee companies are seeking to raise capital we explore in depth the rational for doing so, the costs involved and whether alternative routes to financing have been explored. If we feel the costs associated with equity or debt financing are unwarranted then we will communicate accordingly and if necessary vote against resolutions.

Management and performance fees, particularly in the area of closed ended-investment trusts, are an area of particular focus, in terms of levels, hurdle rates and timing of payment. Dis-satisfaction will be raised in the first instance with the company and/or the nominated house broker.

If we feel the board is not displaying sufficient levels of independence then we will raise the matter with the chairman or senior non-executive director.

Practical limitations:

The level of our engagement with larger investee companies, primarily in the direct UK equities arena, is conducted on a best-endeavours basis. For example, direct dialogue with Chief Executives, Finance Directors and Chairpersons, may not be feasible. However, our investment focus is mainly (but not exclusively) in "mid-cap" companies where executives are more accessible and less beholden to the mainstream large scale institutional investors.

Consequently, where we do invest in "large-cap" or FTSE-100 companies, we have to accept that the opportunity for direct engagement is commensurately less.

Engagement

Principle 9 Cont...

Outcomes

Over the course of the year to 30 June 2022 we have conducted over 300 meetings with companies and third party managers.

Examples of engagement:

01 Case Study

Gore Street Energy Storage Fund plc (UK listed investment trust investing in UK, Irish and overseas battery storage projects).

Background: Since our initial investment in November 2020 we have been pleased with the development of the battery storage portfolio company. Successful execution of developments and a track record of capturing good pricing for ancillary grid balancing services has resulted in revenues exceeding initial modelled expectations.

Our area of concern: We were unhappy with an announcement in March 2022 that the manager and Board were intending to increase the leverage (debt) limit from 15% to 50% of Gross Asset Value (GAV). Whilst they had made this decision based on comparable companies elsewhere in the sector, we felt more explicit consultation with shareholders should have been conducted. We approached the manager and the Chairman and they understood our concerns on the potential increase in financial gearing risk which we felt was unnecessary at this time given the returns already being achieved.

Outcome of our engagement: Despite the vote being passed, the Board and manager valued our input and has since given the assurance the Company will not go above 30% loan to value without further prior shareholder approval.

02 Case Study

Schroder UK Public Private Trust plc (UK listed private equity company)

Background: We have been long standing shareholders in this listed private equity company and in prior periods we had input in the financial reorganization, appointment of new manager and refreshing of the Board.

Our area of concern: Throughout the period concerned by this report, in our regular contact with the Board and manager we made it clear that with the shares trading at a wide discount to Net Asset Value (NAV), the Board should exercise its authority to buy back shares at the discounted price.

Outcome of our engagement: Following renewal of this authority at the Company's AGM in May 2022 the Company has commenced an ongoing share buy-back program.

03 Case Study

Chrysalis Investments (UK listed investment trust providing growth capital to late stage and pre-IPO private companies in the UK and overseas)

Background: We have been invested in this Company since its IPO in 2018. Performance was initially strong however as the market conditions have shifted against "growth" companies and strategies, the underlying Net Asset Value and the rating of the shares has fallen.

Our area of concern: Our engagement with the manager and Board Chairman has been constant since initial investment and the areas of concern we often raised (including prior to the shift in market conditions) was: the need to demonstrate their impact on governance standards within portfolio companies; the importance of strengthening the process and thereby confidence in the valuation of their investments; and adjustments to the performance fee application.

This input included participation of an expansive survey of opinions conducted by a Board commissioned independent party.

Outcome of our engagement: Jupiter Asset Management (the manager) has strengthened its reporting of how it engages with portfolio companies, in particular on Environmental and Governance issues; the Board has appointed a three person independent valuation committee as the Company is moving to a self-managed structure which means it will assume direct responsibility for the valuation process; following conversations with ourselves and other shareholders the Board has also proposed a new performance fee structure to Jupiter Asset Management, a final decision on which is yet to be announced.

04 Case Study

Ediston Property Investment Company

Background: We have been shareholders in Ediston Property Investment Company (EPIC) for many years and hold the management team in high regard. It is a relatively small REIT that has become purely focused on UK retail warehouse parks. For a number of years, the REIT struggled under an excessive discount to NAV, especially through the pandemic. During this time one of the non-executive Directors (NED) of the Board was dedicating more time than would normally be expected to advise the manager on addressing a number of issues that contributed to the discount to NAV.

Our area of concern: The NED concerned was being paid an additional fee to cover this work. Whilst this was appropriately disclosed and explained to shareholders, it was our concern that the situation should not be allowed to continue beyond the completion of the strategic repositioning of the REIT into a pure UK retail park strategy. This was also in response to the concerns being expressed by other stakeholders. Our concern was that the relationship of the NED concerned could compromise his independence (perceived or otherwise). We therefore communicated to the Chair of the Board that whilst we would support the arrangement in the AGM for FY21, our support would not extend beyond FY (September)22.

Outcome of our engagement: In May 2022 the NED passed his role as Senior Independent Director to another Board member and in September 2022 he passed the role of Audit Chair to another Board member. It is also his intention to step down from the Board at the AGM in February 2023.

Principle 10 - Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

It is not our normal policy to seek to engage and collaborate with other co-shareholders in issuers. While we may do it in exceptional circumstances, the occasions have been very rare. This is partly due to us predominantly holding relatively small stakes in companies that have larger shareholders than us. Circumstances where we have engaged with other shareholders is usually when we have been approached by a larger shareholder who wishes to lead in taking a course of action.

Coordinating shareholder action is a time consuming process and we would have to consider if this was the best use of time and resource taking into account what can be reasonably achieved.

We would generally only intervene with "action" where performance was poor and/or we felt a Board or individual directors are either conflicted or are not acting in the interests of shareholders. In the first instance we would discuss our concerns with the designated senior director or Chairman and subsequently use voting powers if our concerns have not been assuaged.

We would hold meetings first with management and then contact the company's advisers and escalate to Board level only if we felt that our concerns were not being taken seriously or addressed satisfactorily. It is unusual for us to meet with the Board unless we have serious reservations on the level of competence of senior managers or wish to express views directly on matters of corporate strategy.

Whilst it is unusual for us to intervene, we may discuss our concerns with major shareholders to gauge how much influence we may be able to exert.

We have, on occasion, worked with other institutions where we have felt that there may be a requirement to call a General Meeting (GM) or vote against stated policy or reappointment of directors. We would only requisition a GM in very extreme circumstances when other dialogue has been exhausted or where we felt immediate action was required to protect shareholder (and our clients') interests.

Collaboration with other shareholders will only be undertaken if we are satisfied that such collective engagement will not contravene any of our regulatory or legal obligations and on the basis that we shall maintain proper standards of market conduct. We will take all necessary steps to avoid being involved in a concert party and will not enter into discussions with other shareholders if their purpose is to acquire control of the company (although we would hold discussions with another party that was in the process of making a bid for an issuer under the normal rules of the Panel of Takeovers & Mergers in order to appraise their approach).

Activity

In the period covered by this report we have participated in one notable example of collaborative engagement with other shareholders.

Outcomes

See the Purplebricks plc case study.

Case Study

Purplebricks

Background: We are large shareholders in Purplebricks PLC, owning close to 7% of the company. We were approached by a representative of a new shareholder that was exploring sentiment towards the Board and in particular the Chairman, having witnessed significant shareholder value destruction during their tenure.

Our area of concern: Some institutional shareholders did not engage with the new shareholder but we felt it was our fiduciary duty as a large shareholder to do so. We shared our views on the Board, senior management and the strategic direction of the business. We also made it clear that we were open to considering new appointments to the Board. Indeed, we even put the new shareholder in touch with someone whom we felt could potentially unlock shareholder value by being on the Board.

Outcome of our collaborative engagement: After our engagement with the new shareholder, they wrote to the Chairman suggesting they step down and also publicly stated that change was needed. Subsequent to this, two new appointments have been made to the Board, one of whom has much more relevant industry experience. We believe that our engagement with the new shareholder gave them the confidence that there was potential support for change and that pressured the existing Board to make changes for the better of the business.

Principle 11 - Escalation

Our policy of intervention will always be considered on a case-by-case basis, with reference to the size of our investment, the scope to co-operate with other shareholders if necessary, the likelihood of success and whether a successful outcome would give suitable reward to our investors.

Our method and strategy in each case will be discussed by the investment team, led by the asset class specialist with research responsibility on the specific investment.

We view voting at AGMs as an aspect of "escalation". We do not always support the Board and have on occasions voted against decisions recommended by a Board or against the re-election of Board members. If we feel it appropriate or indeed may help initiate change we may contact the company beforehand.

Beyond voting we consider the more important input we can give is our collaborative and informed guidance to managements and Boards on matters where we feel we can add value and we feel our opinions should be taken into account. This was particularly the case in the COVID pandemic as companies took action to conserve cash and in some cases we felt were too hasty to reduce or cease dividends. We were keen to ensure that Board's took their responsibilities to shareholders in this regard seriously. We were pleased to see a quick return to dividend paying in those issuers we felt had been excessively cautious.

Activity

Apart from voting activity, which is discussed under Principle 12, the number of occasions where we have "escalated" our discussion above that of the executive management team and taken up matters with the Board are shown below.

While this report is specifically addressing the 12 months to the 30 June 2022, our record on stewardship goes back several years and we have specific examples that demonstrate the areas of our conduct.

Outcomes

Whilst we would not suggest we have been the only active shareholders on the points we have raised with managements and Boards, we feel our views have been taken into account and reinforced the message from various stakeholders which has resulted in positive change. The case study overleaf is one such example.

	Investee Type			
Form of Escalation	**Corporate**	**REIT**	**Listed Closed Ended Fund**	**Open Ended Fund**
One-to-One Meeting	6	1	9	0
Email	7	1	4	0
Telephone Call	1	0	1	0
Other	0	1	0	0

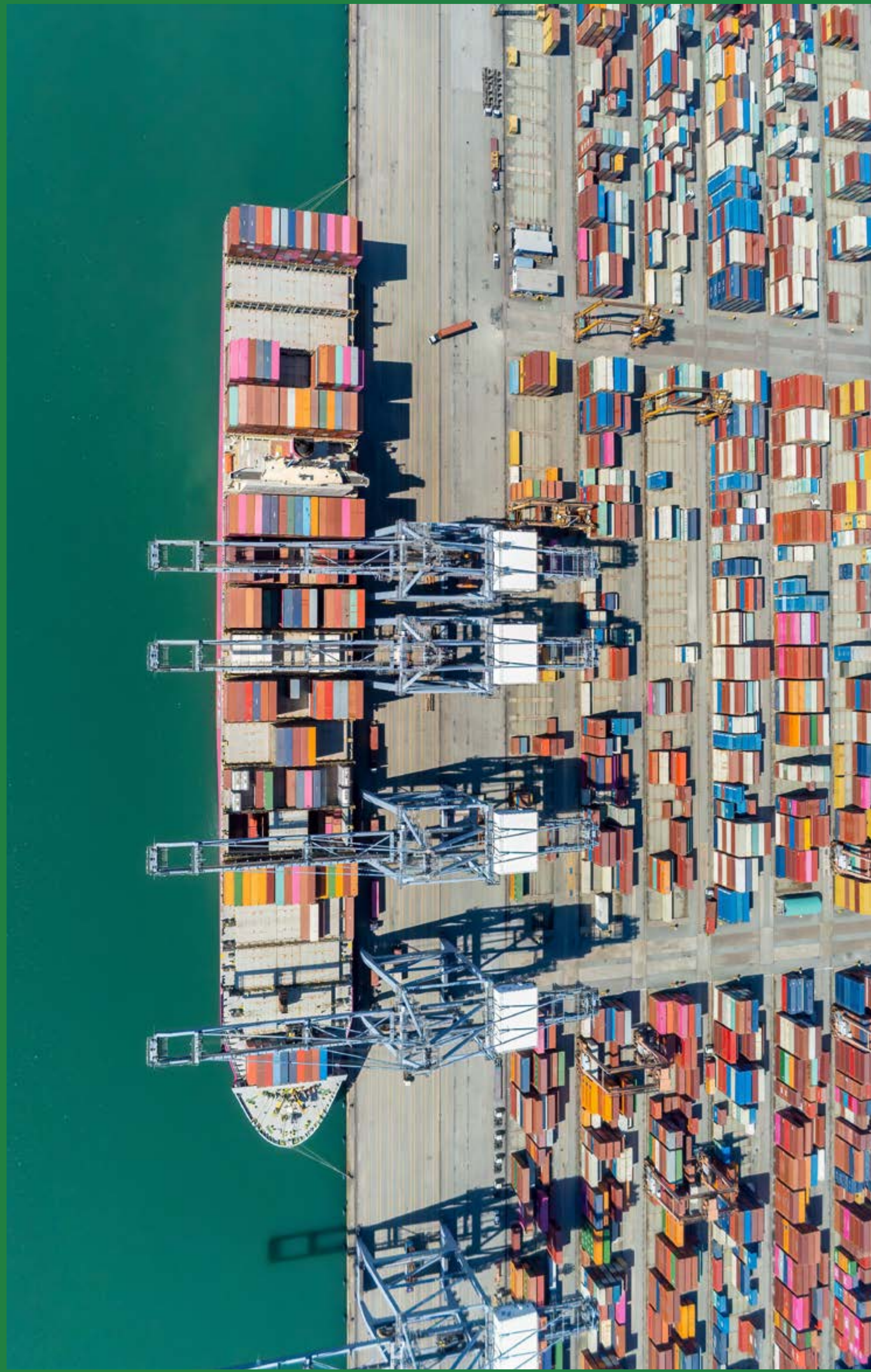
Case Study

Case Study: Sequoia Economic Infrastructure Trust
(UK listed investment trust investing predominantly in senior secured international infrastructure project debt)

Background: As long running investors in Sequoia Economic Infrastructure Trust (SEQI), we have had frequent dialogue with the management team and occasional contact with the Chairman of the investment trust Board. Discussions often surrounded individual investments in the portfolio plus the overall governance of the Guernsey registered investment trust.

Our area of concern: Following the 2021 AGM we informed the Chairman that whilst we had been prepared to support the re-election of one of the Non-Executive Directors, the Company would not be able to count on our support at the AGM for 2022. We felt that, although the individual concerned was a professional non-executive Director of investment Trusts, he had a number of Board appointments in other demanding investment trusts that meant we were not confident he would have sufficient time to dedicate to SEQI. We did not wish to vote him off immediately, but rather afford the Company time to put an appropriate succession plan in place for the Director concerned. We communicated our views and future intentions directly with the Chairman who pledged to discuss the matter with the rest of the Board.

Outcome of our escalated engagement: This resulted in two new Non-Executive Directors joining a refreshed and strengthened Board in January 2022 and the Non-Executive Director concerned did not stand for re-election at the August 2022 AGM and retired along with another Non-Executive Director.



Principle 12 - Exercising Rights & Responsibilities

Signatories actively exercise their rights and responsibilities.

Our approach to proxy voting varies depending on whether MGIM has directly selected and invested in the security in question, or whether the security is held in a fund or account managed by a third-party manager.

Direct investments

In the case of directly held securities, we will:

- Vote in all cases where we believe our client's interests need to be protected or where there is a conflict with our Proxy Voting Policy or any of our other Responsible Investment Policies;
- Vote proxies on a given issue for a given investment in the same manner for all clients
- We do not commit to voting on all matters arising;
- We do not use default recommendations of proxy advisors;
- We do not lend stock;
- Clients do not conduct voting activity or instruct us on how to vote for their account, unless it is accommodated within the Investment Management Agreement (IMA) between the client and MGIM.

Here is a link to our ***voting policy*** and here is a link to our other ***Responsible Investment Policies.*** All portfolio managers adhere to these policies. The key elements of our approach to voting are as follows. We:

01 **Ensure adequate notice is given to shareholders ahead of meetings;**

02 **Review the performance of directors;**

03 **Review the structure of the board;**

04 **Ensure separation of key roles on the board;**

05 **Review the performance, remuneration and rotation of external auditors;**

06 **Review the remuneration of directors;**

07 **Review capital structures and other corporate actions;**

08 **Review economic, social and environmental considerations;**

09 **Escalate issues in line with our escalation policy.**

We are notified of upcoming votes via the proxy voting services provided by our custodians. These services are compliant with the requirements of the Shareholder Rights Directive. Primary analysts monitor each investment closely to ensure that we receive notification of all meetings and votes are cast as deemed appropriate.

Third-party managers

For investments made via third-party managers, voting responsibility resides with that manager. We believe that this is appropriate because these managers, who we have selected, are closer to the business in question and our therefore best placed to assess matters put forward to shareholders for voting, or have a systematic monitoring process in place, which means they are best placed to make the appropriate decisions that are in the long term interests of our investors.

However, we recognise the need to engage with these managers on an ongoing basis to monitor and increase alignment with our Proxy Voting Policy, although particular country and regional factors may necessarily lead to a degree of variation.

Segregated mandates

Where the investments are held in a third-party segregated account, MGIM intends to ensure proxy voting decisions are aligned with our Proxy Voting Policy by incorporating an explicit reference to this and other relevant Policies in the IMA between MGIM and the third-party manager. Until such time as this is achieved across all segregated accounts, and beyond that point, MGIM will ensure detailed reporting of voting activity is provided by such managers to us for review by our relevant analyst or portfolio manager on a regular basis. Any activity or decision that is inconsistent with this or any of our other Responsible Investment Policies will be discussed with the third-party manager. We currently receive quarterly proxy voting summary reports from all such third-party managers.

Pooled investment vehicles

In the case of investments that are held via third-party pooled investment vehicles, there is no bespoke IMA between MGIM and the third-party manager and any voting activity on the portfolio investments are ultimately dictated by the manager's own policies. However, we still monitor the proxy voting activity of each fund individually and engage closely with the managers of those funds, particularly around decisions that are inconsistent with our Policy.

Exerting influence in asset classes outside of equities

We have some direct fixed income investments, but these tend to be seasoned bonds rather than new issues, and therefore we do not receive reverse inquiries ahead of new issuance, giving us limited ability to influence prospectuses and covenants. As a result, most of our influence comes through engagement with our third-party managers. Often those managers will be able to exert additional pressure through equity voting in other parts of their businesses.

Principle 12 Cont...

Activity

Voting on our direct investments

Of the 230 company meetings held over the period at which we were entitled to vote, we voted at 47 (20%). As mentioned previously, we vote in cases where we believe our client's interests need to be protected or where there is a conflict with one or more of our investment policies, and where we have been unable to resolve the issue through engagement with the company leading up to the meeting. 100% of votes cast were For the resolution.

Voting by our sub investment managers

We monitor voting by our sub investment managers. For example, we have appointed Robeco to manage the Momentum GF Global Sustainable Equity Fund and votes cast on our behalf by Robeco over the period were as follows:

Votes Cast	10,891	Number of meetings	752
For	9,569	With Management	9,295
Against	1,168	Against Management	1,596
Withhold	82		
Abstain	67		
Other	5		
Total	**10,891**	**Total**	**10,891**

Robeco cast 10,891 votes across 752 meetings during the period. 88% of votes were cast For the resolution and 11% were cast Against the resolution. 85% of votes were in line with management's recommendation and 15% were against. We discuss one example of Robeco's voting activity in the Outcome section that follows.

Monitoring voting in pooled investment vehicles

Primary and secondary analysts discuss voting records with managers during our regular review meetings, and examples of these conversations and the outcomes from them are given in the next section.

Outcome

One example of using voting rights to influence a portfolio company's behaviour comes from Robeco: acting on our behalf as well as their other investors', Robeco have been engaging with Alphabet since 2019, relating to concerns around governance human rights risks. Robeco was in the lead of co-filing an shareholder resolution at the 2022 AGM of the company, alongside NEI Investments (Canada) & The Sustainability Group (US). The shareholder proposal asked for: an independent Human Rights Impact Assessment report evaluating the efficacy of Alphabet's existing policies and practices. The aim is to address the human rights impacts of its content management policies to address misinformation and disinformation across its platforms. The proposal was supported by 66% of non-controlling shareholder votes. Having reached out to Alphabet on several occasions during 2022, the company finally responded after the AGM and has said they will get back to Robeco with a meeting date to discuss the proposal and vote outcome. Robeco's feedback has also been shared with the Board. As such, Robeco's actions in escalating this matter to shareholder vote has yielded a company response and hopefully the start of a productive dialogue.

Stewardship Report

Momentum Investment
Solutions & Consulting

Principle 1
Purpose, Strategy & Culture

Momentum Investment Solutions Consulting (Momentum ISC) was established in 2015 by a team of senior investment consultants to provide independent advice to UK pension schemes.

We are a division of Momentum Global Investment Management (MGIM) and our parent Company is Momentum Metropolitan Holdings (MMH).

Our mission as a team is to provide a high quality, personal and tailored service to a select number of trustee and corporate clients to enhance the financial management of their pension schemes. To deliver on this mission, we have established a team with a strong culture based on mutual respect, trust and support.

Our team comprises of a number of experienced Partners, supported by a team of investment analysts. The Partners have a wealth of experience spanning strategic advice, risk management, portfolio construction and implementation.

In terms of the services we offer, we cover all aspects of investment consulting including:

» **Investment strategy:** including investment beliefs; setting investment objectives and journey planning, including asset and liability modelling.

» **Risk management:** establishing a risk appetite; dynamic risk budgeting and risk monitoring.

» **Liability hedging:** Quantifying risk/return from under-hedging and incorporating into risk budget, establishing a liability hedge target, implementation frameworks and monitoring.

» **Manager structuring:** selection and monitoring: Structuring based on a qualitative assessment of manager's philosophy and process (including ESG integration) and quantitative assessment of 'fit' using correlation analysis and/or portfolio analytics.

» **Operations management:** including transitions co-ordination, cash-flow management, rebalancing, currency hedging, compliance.

» **Governance:** including policy checklist, business plans, regulatory reporting and governance advice.

Business strategy

The business strategy is clear and simple. Our goal is to create a high quality "boutique-style" investment consulting team, which serves the needs of a select group of institutional clients. The business plan assumes that the number of clients and the team grows in a gradual and measured manner.

Our mission as a team is to provide a high quality, personal and tailored service to a select number of clients. To deliver on this mission, we have established a team with a strong culture based on mutual respect, trust and support. To every relationship we bring the following:

Putting the client at the heart of everything we do. In our experience, putting this belief into practice has resulted in strong, long-term strategic partnerships with our clients. We seek to become an extension of the in-house team.

Developing collaborative relationships with all stakeholders. In our view the best outcomes are achieved by working together with clients, other advisors and fund managers, and this has always been and continues to be our approach.

Our enthusiasm for innovation. We do not roll out the same advice / ideas to all clients. Every time we advise on investment strategy, or any other aspect of investment policy, we seek to improve the solution to address each client's specific needs.

Our common-sense approach. We appreciate that our clients have many demands on their time and also have different levels of investment expertise. It is our job to provide investment advice that is clear, concise and pragmatic.

Our team has been carefully chosen based on shared beliefs, quality and "fit" and has a strong track record of working collaboratively to deliver a first class service for a range of pension schemes.

Our investment philosophy and approach to Responsible Investment

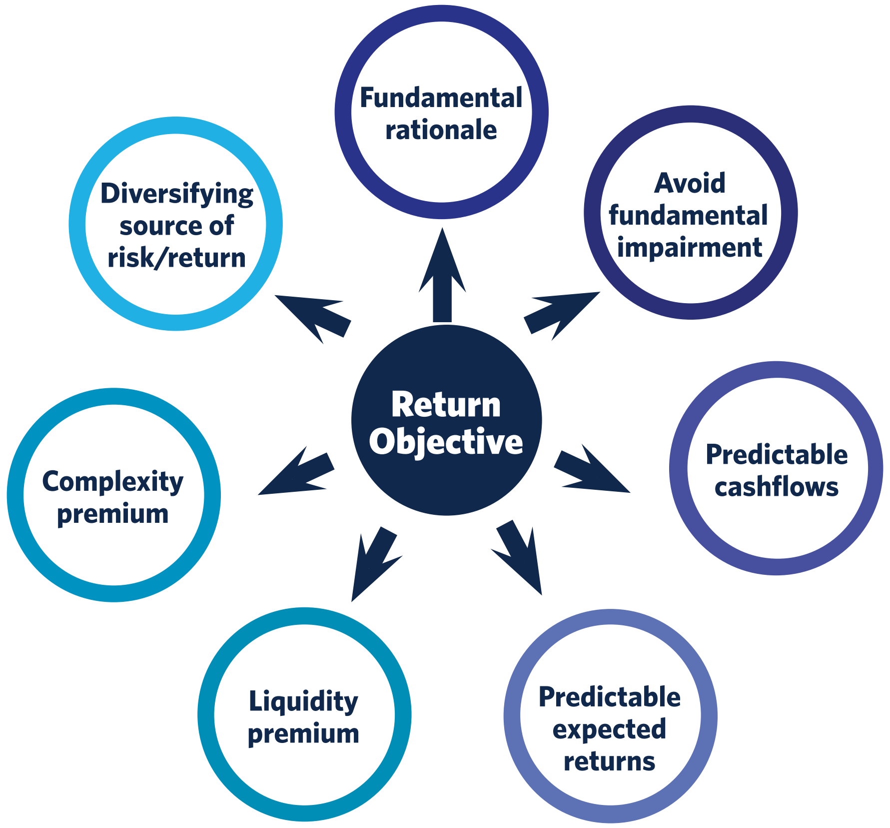
We have a clear approach to investing which is summarised below:

- Fundamental rationale – any asset class is only worth adding if there is a good fundamental rationale for it to generate an excess return relative to risk-free assets.
- Low risk of fundamental impairment – mark-to-market risks should be recovered by patient investors, whereas losses due to default are permanent.
- Predictable cashflow profiles improve cashflow management and return forecasting. Predictable expected returns provide greater confidence of achieving the target return, simplifies comparison between different assets, and helps to scale allocations effectively.
- Liquidity premium and complexity premium are attractive risks to take if rewarded.
- We seek to diversify sources of return and/or sources of risk, rather than simply diversify capital allocations.

We recognise the importance of Environmental, Social and Governance (ESG) issues and have always incorporated them into our manager research and investment processes. We believe that ESG factors are an important component of long-term risk management, and are therefore integral considerations for any long-term investor.

Aligned with our investment approach, we have a preference for investors over traders, and our preference for strategies that are able to deliver

predictable cashflows and expected returns means we have always had a bias towards portfolio managers that take a long-term view. We have found that these investors are typically far more aware of ESG issues and have been assessing "ESG factors" as part of their investment process for much longer than consultants have been identifying ESG as a separate set of factors to appraise.



Our ESG Beliefs

Our ESG beliefs form the basis of our approach to ESG and these are summarised below.
Our approach is described in detail in **Principle 5**.

01 ESG factors can be financially material to security prices. We believe that ESG factors such as environmental disasters, poor labour practices and accounting failures can lead to poor performance. Therefore, active managers conducting security level research should consider ESG factors in their investment research process.

02 Good active managers have considered how to best incorporate ESG factors into their investment process. ESG factors can be financially material so good active managers will consider them. An active managers approach to ESG factors should be understood. Material weaknesses in their approach would count against their selection and retention.

03 We believe active stewardship can improve investment returns. We prefer managers with clear stewardship policies and approaches and have a preference for effecting change through engagement over divestment.

04 Investment teams are likely to have stronger ESG analysis if the importance of ESG is recognised by their broader organisation. Stronger investment team approaches to ESG are likely to be found when the broader organisation shows strong ESG commitment. This can often be seen through broader resources and better internal discussion and debate. More detailed diligence on the strength of a manager's ESG approach may be required where their broader organisation does not show strong ESG alignment.

05 The impact of, and potential responses to, climate change creates a material financial risk. There is a wide range of uncertainty in both the future climate scenarios and the timing and choice of policy responses. A carbon tax, as just one example, could have financial implications for the profitability and competitive position of companies that are impacted. Climate change risks should be considered in the selection of individual investments by investment managers.

Serving clients best interests

As described earlier, we have established a team with a strong culture based on mutual respect, trust and support which has a strong track record of working collaboratively to deliver a first class service for a range of pension schemes.

In terms of the services we provide, we have described these earlier in this section. We have contractual arrangements in place with all of our clients that describe these services in detail and the fee arrangements. In addition to the contractual arrangements, our clients also set us clear objectives and review our performance against these objectives annually. This annual review process provides us with the opportunity to assess how effective we have been in meeting our clients' objectives and serving in their best interests.

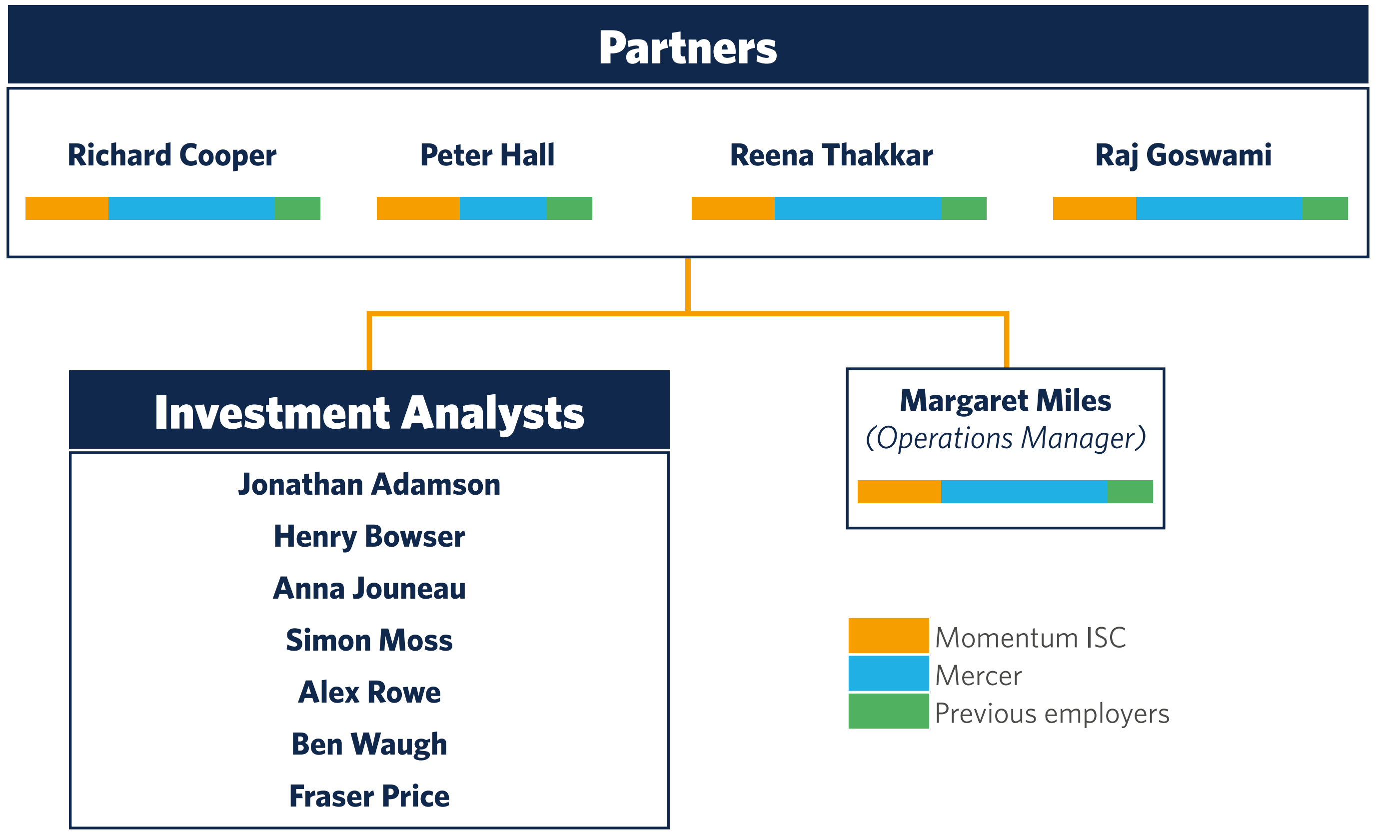
In addition, for the majority of our clients, our fees have a discretionary performance-based element which is based on the client's assessment of the quality and quantity of work that we have undertaken. The fact that we are typically awarded close to 100% of the performance related fee is testament to the high quality service that we provide to our clients.

In addition to the annual assessment against our objectives and the annual performance fee assessment, we believe in continuous feedback and have regular meetings with our clients outside of the formal Trustee meetings. These informal meetings are an opportunity for our clients to raise any issues they have with us directly. Given we are a small team, with a small number of clients, we believe that our approach to assessing how effective we have been in meeting clients' best interests is appropriate. The informal feedback and formal assessments are specific to each client which we can accommodate given the small number of clients we service.

Principle 2
Governance, resources & incentives

Resources

The Momentum ISC team includes three qualified actuaries, three CFA charter-holders, five analysts with varying levels of experience who are studying for actuarial or CFA exams. The team is shown below. The Partners have a collective experience spanning 80 years.



In addition to the team above, the broader business provides support with operational aspects such as legal, IT, finance, HR and compliance.

We recognise the importance of ESG factors in our advice and have partnered with Gordian Advice, a specialist responsible investment advisory boutique, to provide further support. Gordian Advice provides training to the team on Responsible Investing and ensures that the team is kept informed of developments and best practice in this area.

Gordian Advice also assist with client workshops and training sessions where there is the desire to have a deep-dive into specific areas, such as ESG beliefs. A specific area of focus for the past year has been the Task Force on Climate-related Financial Disclosures (TCFD) requirements, where a significant amount of work has taken place both within the team and with clients to put in place the necessary governance, systems and tools, and training to ensure that we can support our clients in meeting these requirements. The team has also partnered with Ortec Finance, a leading global provider of Climate and ESG solutions, to assist with Scenario Analysis that is required as part of the TCFD requirements. Ortec Finance services more than 500 clients in over 20 countries and is a well respected contributor to industry and academic projects on topics relating to climate risk scenarios and temperature alignment analytics.

Compensation for the consulting team comprises fixed and variable elements. Base salary reflects responsibilities, experience, qualifications and skills. Variable compensation is awarded on a discretionary basis annually, and is a function of the performance of the consulting business. There is no explicit link to Stewardship within fixed or variable compensation. Rather, Stewardship related work is one of the factors that is considered during the normal process of staff evaluation, most notably in the case of investment consultants as part of consideration of the effectiveness of advising clients in this area. Performance is appraised through the annual company wide Performance Excellence programme which all team members are enrolled in, to set performance goals which are measured with year-end ratings feeding into salary and variable elements.

With regards to training and development, we invest in our people and provide study support for our investment analysts in terms of funding and study leave. In addition, the Partners provide specialist technical training sessions to the investment analyst team and additional training on Responsible Investing is also provided by Gordian Advice. All team members regularly undertake the regulatory Compliance training provided by MGIM.

As members of professional bodies (CFA and actuarial), the team are also subject to annual CPD (Continuing Professional Development) requirements.

We believe that continuous training and development enables to us to provide high quality client service advice.

We believe that through our collegiate approach, we have created an environment where each team member enjoys being at work, feels valued and is proud of the exceptional service that we deliver to our clients. In our recent staff survey, the team scored in the highest quadrant reflecting a team that is:

1. committed to the organisation and believes in what it stands for; and
2. willing to do more than what is required to help the organisation achieve its goals.

We also measured the wellbeing and resilience of the team in this survey. We were re-assured to learn that the team is “flourishing” which indicated that the team had adapted well to the new way of hybrid working.

Governance

The governance structure for MGIM is described in the **Investment Management Report - Principle 2.** Reena Thakkar, Managing Partner of Momentum ISC, is a Director of MGIM and a member of the Management Committee and the Responsible Investment Committee. Governance of Stewardship and related areas is considered both by the Board, the Management Committee and the Responsible Investment Committee. The implementation of MGIM's approach to Stewardship as it relates to investment consulting is delegated to the Momentum ISC team. Reena Thakkar heads up the Momentum ISC ESG team, and is supported by Henry Bowser (ESG investment analyst).

Within Momentum ISC the Partners head up the Manager Research, ESG and intellectual capital teams with dedicated analyst support as required. The Partners meet quarterly to discuss and agree the intellectual capital priorities for the team which is driven by what is most relevant to our client agendas. There has been a significant amount of focus on effective stewardship over the past year as this is an area that has been high on the agenda for all of our clients. In particular, we have been focused on:

Implementation Statements – assisting clients with the production of implementation statements which explain how trustees have followed the policies set out in the Statement of Investment Principles, including those related to ESG, Stewardship and Engagement over the year. We worked with our clients to ensure the content and format was appropriate and visually appealing to members.

Stewardship & Engagement report – our annual Stewardship & Engagement report is a recent addition to our clients' business plans. This is bespoke to each client and summarises information on engagement and stewardship activities for each investment manager the client is invested in. We rate each investment manager according to whether they are "leading", "catching-up" or "behind" the curve in three areas:

- the quality of their reporting on engagement and stewardship;
- the quality of their engagement activities; and
- the variety of topics on which they engage with the companies they invest in.

The report also highlights interesting case studies where engagement activities have been particularly effective.

Climate risks – we have spent a significant amount of time with our clients this year training and advising them on the TCFD requirements. This has included providing support and advice to all pillars of the framework as well as assistance with project planning. The particular areas of the TCFD requirements where we have spent the most amount of time and resource this year is on the governance requirements, scenario modelling and metrics and targets. We have invested further in our tools and capabilities, through our partnership with Ortec Finance, to ensure that we can support and advise clients appropriately.

In summary, we are comfortable that the governance arrangements we have in place ensure consistency of philosophy across the broader organisation with sufficient delegation to ensure that Momentum ISC is able to direct its time and resources on the areas that are of most value to clients.

Tools

We have a number of tools that we use to support our advice to our clients. In addition to our own proprietary tools, we have licensed a bespoke asset and liability modelling tool from Financial Canvas which provides us with a broad range of modelling and analytical capabilities to support our advice to our clients, including:

- stochastic asset and liability projections for longer term journey planning and risk budgeting
- assessment of interest rate and inflation sensitivities for liability hedging
- asset and liability cashflow analysis
- scenario analysis and stress testing

We have also developed a cashflow modelling tool in conjunction with Financial Canvas which allows us to project all asset cashflows alongside liability cashflows and to test these under a wide range of scenarios. This tool is particularly helpful in demonstrating the impact of fundamental risks such as price risk, reinvestment risk and default risk.

We have also recently partnered with Ortec Finance, a leading global provider of Climate and ESG solutions, to assist with Scenario Analysis that is required as part of TCFD requirements. Ortec Finance services more than 500 clients in over 20 countries and is a well respected contributor to industry and academic projects on topics relating to climate risk scenarios and temperature alignment analytics.

Fees

Our philosophy is to do the best for our clients and we treat clients fairly with regard to pricing. The majority of our clients have a monthly fixed fee arrangement which is based initially on a bottom-up assessment of the scope of services and the hours required to deliver those services.

This is a genuine 'all-inclusive' fee and we would not expect there to be any activities that are not covered by this fee. Where items of work have not been anticipated, or where we have under-estimated the scope of review, we would deliver these items within the agreed fixed fee.

We take a long term partnership approach to our relationships with our clients, and have found that our clients are happy to have an open and pragmatic conversation on our all-in fixed fee if the scope of work has been over or under estimated.

In addition, for some of our clients we have an annual discretionary performance-based element which is based on the client's assessment of the quality and quantity of work that has been undertaken by the investment consultant.

To demonstrate how our philosophy works in practice; over the course of the year given the extreme moves in markets and requirements for collateral, we have proactively kept our clients informed and have undertaken regular rebalancing of investment policies to ensure collateral needs for liability hedging mandates are met. This additional work and the value add that we believe has been achieved was all absorbed as part of our fixed fee. We have taken a similar approach to the additional ESG and Stewardship related activities that we have carried out this year (described on the previous page) and have carried out this additional work within our fixed fee. This hands-on and proactive approach is typical of the value add and value for money that we believe we offer our clients.

Summary

In summary, we believe that we have the appropriate governance structure, resources, experience, tools and fee structures to support effective stewardship. As a specific example, given we are a small team we have been able to adopt tools like the Engagement Reporting Guide produced by the Investment Consultants Sustainability Working Group ("ICSWG") in a relatively seamless manner.

We assess the effectiveness of our stewardship activities through the level of influence and change we are able to observe through our interactions with investment managers. We provide some examples of this in Section 5 of the report.

Further improvements can always be made and continuous focus over the next couple of years will be working with investment managers to improve the quality and accuracy of climate emissions data as a specific focus area.

Principle 3
Conflicts of Interest

MGIM's policy on conflicts of interest is described on in the Investment Management Report - **Prinicple 3.** This policy is communicated to all members of staff when they join the company via the MGIM Compliance Manual and Staff Handbook. The manual requires that "clients' interests are put first and that employees disregard any other relationship, arrangement, material interest or conflict of interest which may influence any service the company may provide to a client".

Within Momentum ISC, we are acutely aware of the conflicts of interest that can arise within our industry. Our client-centric approach is to first and foremost always act in the best interest of our clients and to build long-lasting trusted relationships. Therefore we have structured our business to avoid the common conflicts of interest that arise in our industry. We have identified the following potential conflicts of interests and have described how we have structured our business to eliminate these conflicts:

01 Pricing/fee conflicts:

With the hourly pricing model, there could be a potential conflict if new ideas recommended by the consultant generate additional revenue for the consultant's organisation.

We seek to avoid this conflict by agreeing all-in fixed fees which would give our clients unlimited access to our team and services.

02 Fiduciary conflicts:

There could be a potential conflict for an advisor who also offers asset management solutions to their consulting clients.

Although MGIM provides asset management services, they do not offer strategies that are of relevance to the consulting clients, and so this is never a conflict for us.

03 Relationships with investment manager:

There is the potential to recommend investment managers to clients where there is a strong relationship with Momentum ISC.

We manage this by having a diversified bench of managers across asset classes and allocating our research efforts across investment managers to ensure that we are not spending a disproportionate amount of research time with a particular manager and/or strategy.

Examples of conflicts of interest

Although we seek to avoid potential conflicts of interest, the one area where this can arise is when the decision is made to downgrade an investment manager from "buy" to "sell". If there are multiple clients invested, this could create a first mover advantage if clients are informed at different points in time. This hasn't yet happened on a strategy where multiple clients have been invested. We have had examples where rating has been moved from "buy" to "hold" where multiple clients are invested. Where this has happened, we managed the communication carefully by ensuring all clients were informed at the same time such that no single client had a potential advantage. Although the advice was to "hold" the strategy, we were still careful in ensuring that all clients were informed in a co-ordinated manner.

Principle 4
Promoting well-functioning markets

As investment advisors, we are typically the first port of call in terms of helping our clients navigate market- wide and systemic risks. The Partners have a wide range of experience of navigating clients through such environments, having worked through a number of such events including the dot-com bubble, the credit crisis,the Covid pandemic and most recently the market volatility as a result of high inflation and tightening monetary policy.

As a team, we review market conditions on a weekly basis and discuss any material movements.

Significant market movements would be discussed with clients and we cover how we have communicated with clients over this past year as a result of the market volatility later on in this section.

Market wide risks

Our approach to market wide risks is to ensure our clients have a deep understanding of the market risks that they are exposed to. We believe that it is of critical importance that clients establish well defined investment objectives. These should include both 'goals' (what the client is trying to achieve) and risk tolerances (what the client is trying to avoid). Our fundamental belief is that all investment risks should be understood and clearly link back to the investment objective. We also believe that unintended risks should be managed effectively and eliminated where possible.

We believe that market risks should be managed by:

» Carefully considering whether any risk resulting from not fully hedging liability-related risks (interest rate and inflation risks) is justified by the potential reward available, and that this risk is scaled appropriately (relative to other risks such as credit risk and equity risk).

» Ensuring that risky asset exposures are well diversified. We seek to diversify sources of risk and/or return rather than to simply focusing on diversifying capital allocations.

» Diversifying across holdings within large mandates (e.g. investment grade credit) and diversifying across mandates for more concentrated portfolios to reduce the fundamental risk of loss from defaults.

» Managing (or even completely removing) exposure to unrewarded risks. For example, we believe that non-sterling developed market currency exposure is an unrewarded risk for a UK institutional investor.

In terms of monitoring market-wide risks, we provide our clients with quarterly reporting that covers a range of risk reporting, including:

» Portfolio volatility

» Value at Risk metrics

» Collateral adequacy monitoring

» Counterparty monitoring

Across our clients we also carry out an annual review of cashflow requirements which looks to manage cashflow requirements for the next 5-10 years and ensure that there is no risk of being a forced seller of assets to meet cashflows.

Climate risk

We monitor emerging risks as they arise, with the current focus being on climate-related risks. We have been assisting our clients implement the various requirements of the TCFD, including:

» Constructing detailed project plans

» Ensuring the appropriate governance arrangement are in place

» Carrying out climate training for trustees

» Scenario analysis

» Collecting climate metrics from the investment managers to obtain a baseline position for each client

» Ensuring metrics and targets are aligned with each client's ESG beliefs and investment philosophy.

To support the industry wide effort in this area we are a member of the Investment Consultants Sustainability Working Group, a body of 17 investment consultant firms with the aim of improving sustainable investment practices across the UK investment industry. As part of this, Reena Thakkar sits on the Steering Committee and Henry Bowser is a member of one of the workstreams.

Case study: Market Volatility

The market environment has been particularly volatile over the past year dominated by:

» inflationary concerns;

» central bank policy around quantitative tightening; and

» the Russian invasion of Ukraine.

As a result of the market volatility, we proactively held a number of additional and more frequent calls with our clients to provide our advice and reassurance throughout this period. We also undertook more regular updates of our clients' policies to assess any rebalancing required, particularly as increases in interest rates has led to more frequent calls on collateral. This has involved numerous additional meetings and implementation activity.

We also held a number of additional calls and requested frequent updates from investment managers to understand the impact on client portfolios and in particular, any areas of distress, or concern.

The majority of our client appointments are on the basis of an all-inclusive fixed fee. However, this does not in any way deter us from taking on additional work or holding additional meetings with our clients as we expect that the level of work involved for any client will ebb and flow over a period of years. This additional work and the risk management we believe has been achieved from the regular rebalancing was all absorbed as part of our fixed fee.

Working with other stakeholders to promote continuous improvement of functioning financial markets

We have a close and collaborative relationship with investment managers and it is through this relationship that we seek to promote the continued improvement of financial markets.

With regards to climate risk, we are working with investment managers to ensure that engagement is taking place for the top carbon emitters within their portfolios (which often covers a significant proportion of portfolio emissions). Some of our clients have also chosen to adopt this as their target for TCFD purposes, adding their weight to our desire to drive change in the "real-world".

We also work collaboratively with investment managers to develop creative responses to market issues. For example, we are working closely with a number of fixed income and liability hedging managers to explore alternatives to the manner in which collateral is managed for LDI mandates. This is work in progress at present, but hopefully something we are able to report on next year. Although we are a small firm, we look after some of the largest UK DB pension schemes and believe that we are effective in providing creating input to their policies by working collaboratively with their investment managers. This is a hallmark of our approach.

Principle 5
Supporting Client's Stewardship

Momentum ISC provides investment consultancy services to 9 clients. In terms of geographical split, 100% of our clients are UK based. In terms of institutional versus retail, 100% of our clients are institutional.

The information below provides a breakdown of our clients and assets under advice.

UK Pension Schemes

7 Clients

AUM (£M) - £28,700

Corporate

1 Client

AUM (£M) - £1,500

Charity

1 Client

AUM (£M) - £450

The team has been advising on the selection of investment managers across a wide range of asset classes for over 20 years. We believe that allocating to the right asset classes, and structuring mandates in the right way is far more important than the selection of the managers to be used. Nevertheless, we recognise the need to appoint and retain high quality investment managers.

Our approach to manager research is centred around our clients. Our first job when we take on a new client is to get to know their managers extremely well (if we don't already), both in terms of the nuts and bolts of the underlying strategy and more importantly, how the strategy fits in with their broader investment objectives.

Once we know our client's managers well, we focus on complementary strategies that are most likely to be of interest to our clients. Our clearly defined investment philosophy helps us to quickly identify those managers and strategies that are likely to appeal to us and our clients.

We undertake deep research on a focussed universe of managers rather than attempting to cover the full universe of available strategies. We have a well-defined selection and rating review process. At a high level our research process consists of:

- **Desktop research:** We ask each manager to complete a comprehensive due diligence questionnaire which we supplement with additional strategy specific materials produced by the investment manager.
- **Due diligence:** We carry out further research using desktop analysis to analyse a manager's written submission, together with supplemental analysis covering other relevant factors such as capacity, fees and style analysis.
- **Onsite meetings:** We carry out face-to-face meetings with key investment team members to gain further insight and understanding of a particular strategy, and to test the manager's stated philosophy, process, etc.
- **Assign rating**: We will only consider assigning a formal research rating view when an investment strategy proposition is sufficiently well understood and documented.

The main areas covered in our manager research process can be categorised into broadly 8 areas:

1. Organisation and business
2. Team and resources
3. Investment philosophy
4. Investment process
5. Risk management
6. Compliance
7. ESG
8. Performance

ESG factors

We believe that ESG factors are an important component of long-term risk management, and are therefore integral considerations for any long-term investor. As part of our research process we seek to understand how ESG issues are incorporated into the investment process and the relative importance that is placed on ESG issues when selecting individual investments. We also review the following for each manager:

- Managers stated policy in this area;
- How ESG issues are incorporated within the investment process;
- Responsibility for ESG issues, resources dedicated and experience of the team;
- Integration of ESG resources with the portfolio management team;
- Manager's voting policy, including disclosure of voting to clients and whether ESG activities have influenced company behaviour; and
- Manager's conflicts of interest policy, including how conflicts are identified and managed.

To test a manager's stated policy, we ask managers to provide specific case studies to highlight how ESG factors have been incorporated, and where these have impacted an investment thesis (both positive and negative). We also ask managers to provide examples of their detailed investment research notes for particular investments, so that we can evidence all of the stages of due-diligence, including the incorporation of ESG factors.

Whether or not ESG factors influence asset allocation are dependent on client's objectives. On the whole, ESG factors are taken into account in manager selection, research and monitoring rather than influencing the strategic allocation.

Stewardship & Engagement

We have recently enhanced the information we collect on Stewardship & Engagement. As part of our collaboration with the ICSWG, we have fully supported the roll-out of the Engagement Reporting Guide across the investment managers that we work with. We collect this data on an annual basis and use this to supplement our research on stewardship and engagement. The data that is collected feeds into our assessment of whether an investment manager is "leading", "catching-up" or "behind" the curve in three areas:

- the quality of their reporting on engagement and stewardship;
- the quality of their engagement activities; and
- the variety of topics on which they vote on and engage with in relation to the companies they invest in.

We provide each of our client with a bespoke Stewardship & Engagement report which covers the activities of the managers they are invested in over the period. Clients find this information helpful when challenging investment managers on their engagement activities, or indeed commending them for engagement that has resulted in a positive impact. The output from the Stewardship & Engagement report feeds into the Implementation Statements that we have produced for clients, mentioned in Principle 2.

This is the second year that we have produced these reports and over the period, we have noted that the quality of information and engagement has been improving over time. We continue to work with investment managers to raise the bar in this important area.

Principle 5
Supporting Client's Stewardship

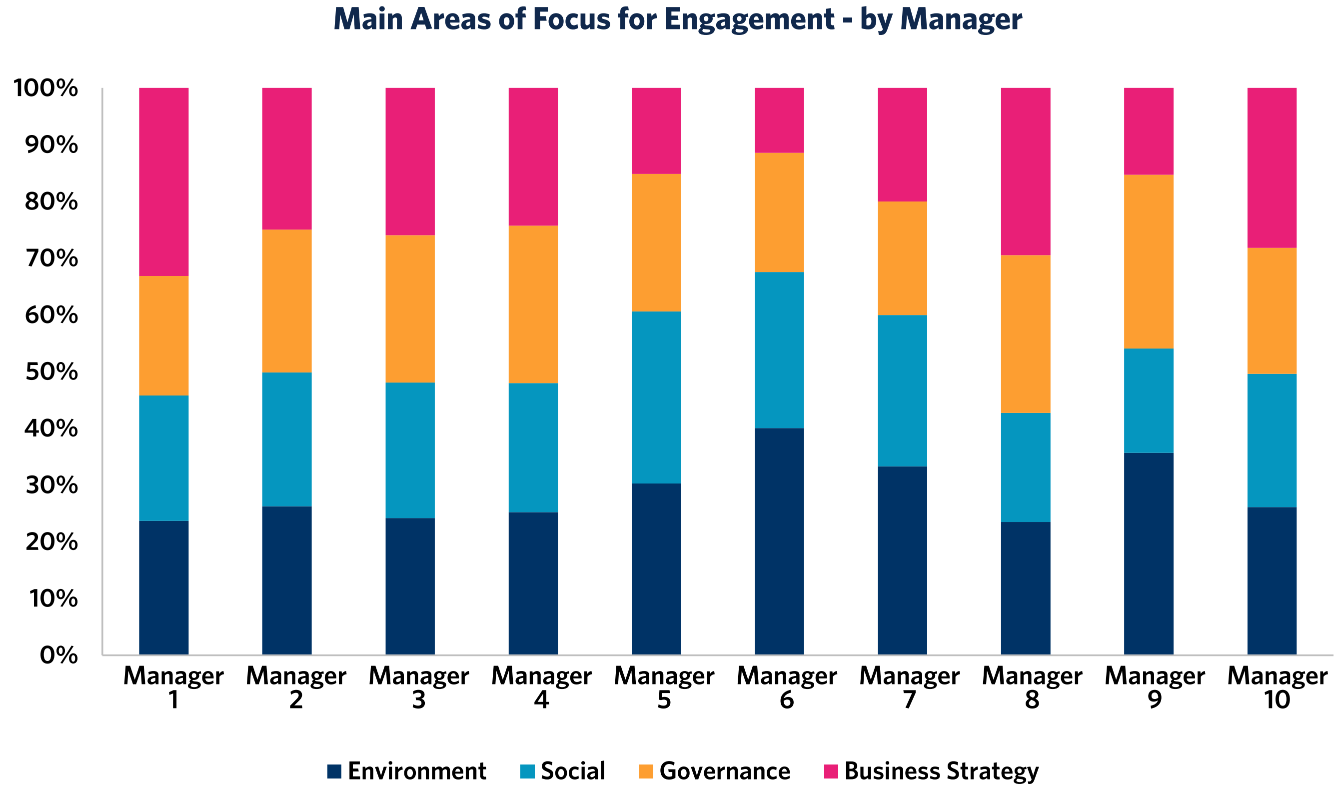
The following charts provide an example of the reporting we provide to clients in our Stewardship & Engagement report:

Manager	Quality of Reporting	Quality of Engagement	Variety of Engagement Topics
Manager 1	leading	catching up	catching up
Manager 2	leading	catching up	leading
Manager 3	leading	catching up	behind
Manager 4	leading	leading	leading
Manager 5	leading	leading	leading
Manager 6	leading	catching up	behind
Manager 7	leading	catching up	catching up

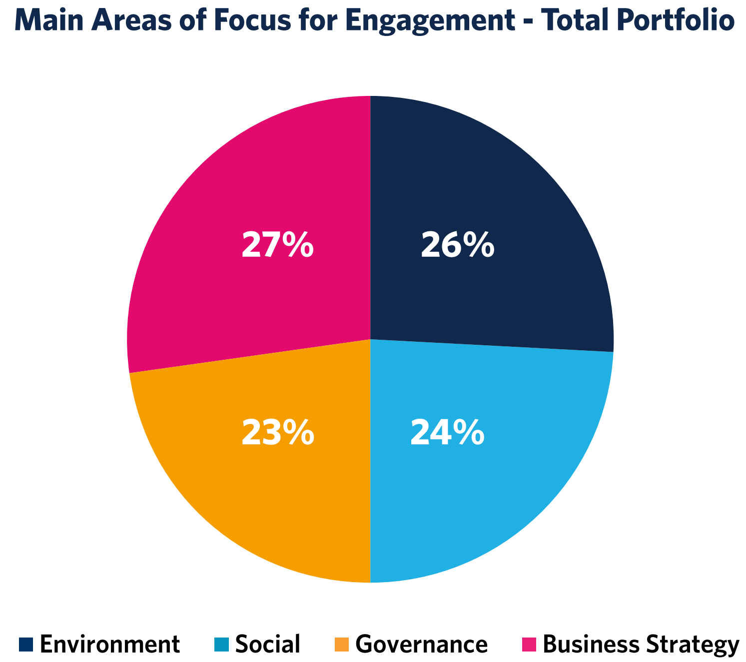
Those that appear to be **"leading"** with respect to the level of engagement activity, the quality of the reporting on the engagement activity that has been undertaken, and the impact this has had.

Managers who are **"catching up"** to those firms in the category below but still behind in some aspects.

Those that are **"behind"** the curve when it comes to engagement activity and how this is reported.



Source: Momentum Global Investment Management, Investment Managers



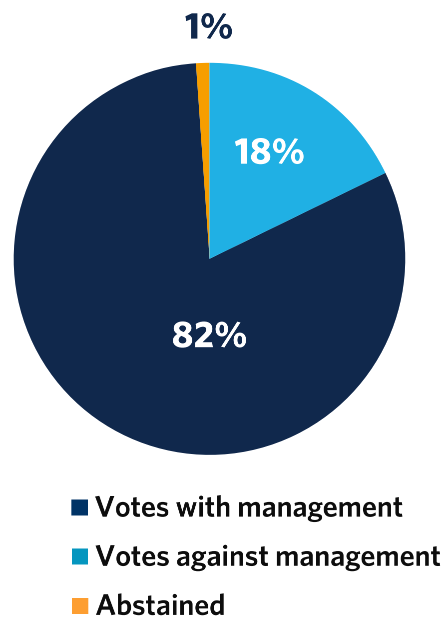
Source: Momentum Global Investment Management, Investment Managers

Principle 5
Supporting Client's Stewardship

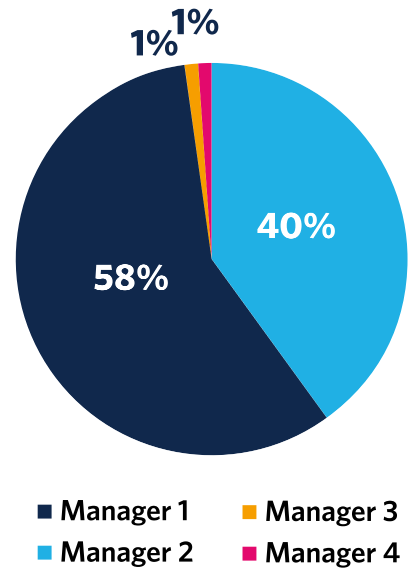
How many meetings were you eligible to vote at?	4,259
How many resolutions were you eligible to vote on?	44,982
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?1	82%
Of the resolutions on which you voted, what % did you vote against management?1	18%
Of the resolutions on which you voted, what % did you abstain from voting?1	1%
In what % of meetings, for which you did vote, did you vote at least once against management?	58%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	7%

We also include numerous examples of significant votes that have been cast by investment managers on behalf of clients. An example of a significant vote is typically one where the investment manager has voted against management on a specific issue

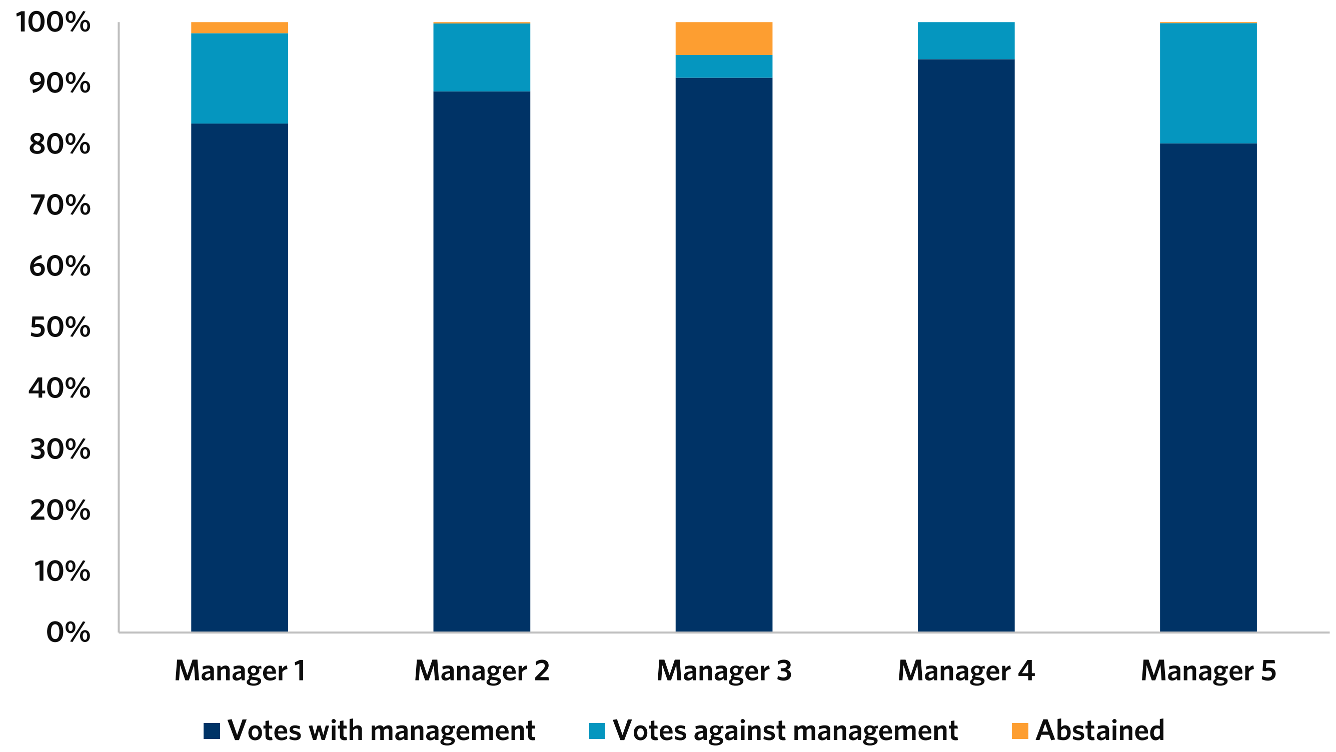
Aggregate Distribution of Votes by Outcome



Distribution of Votes by Manager



Votes with/against management by Manager (%)



Case Study: Target Improvement Plans

In 2021, one of the Private Debt managers we work with began offering Environmental & Social ("E&S") "Target Improvement Plans" (TIPs) to all new primary borrowers, whereby borrowers are offered financial incentives for meeting E&S performance targets. Details of one of the arrangements is outlined below:

This company is a leading system solution provider for the measurement, collection and transmission of heat and water consumption data. The company produces meters which are mainly used in shared residential buildings, where they measure the amount of heat or water consumed by each tenant to enable consumption-based billing.

The company depends on a scarce supply of highly qualified employees, especially for newer technologies. As such attraction, development and retention of talent is key to the business. During their due diligence, the investment manager became aware that the company has historically been involved in a relatively high number of employee disputes. The company has historically been involved 16 employee disputes, a limited number of which included legal proceedings (5), 4 of which were settled and 1 withdrawn.

The aim of the TIP is to help the company develop an approach to creating a more satisfied, productive, and engaged workforce. Ultimately, this will reduce the costs associated with replacing employees as well as the litigation cost and reputation risks associated with further employee disputes, which will lead to better financial outcomes.

Case Study: Climate

This manager has been engaged with this globally diversified industrials company on their carbon strategy after identifying they had yet to release any formal carbon targets.

The company is an American diversified technology company operating a series of businesses across markets such as diagnostic and therapeutic imaging, and weighing equipment for process and packaging.

The manager engaged to understand where they were on their decarbonisation journey, and to encourage progress. The company explained why group targets were difficult for them as they are made up of multiple independent niche companies. The manager emphasised that making no apparent efforts to measure, target or report on decarbonisation would reflect poorly.

Specifically, the manager began engaging on the company's decarbonisation plans at the beginning of 2021 and had three subsequent engagements over the year. Engagements were carried out by members of the international equity team including the Portfolio Manager responsible for the stock and the Head of ESG Research. On the company side, the meetings were attended by members of the C-suite, as well as investor relations executives and their Chief ESG Officer.

The company very much welcomed the manager's engagement and questioning on carbon; while they acknowledged investor interest is on the increase, the manager's engagement was one of the first they had experienced on the subject.

Several weeks later, the manager was invited by the company to participate in a consultation with a leading sustainability integration consultant to explore views on ESG best practice. The manager stressed the importance of targets, the development of Scope 3 and supply and value chain engagement, better diversity and inclusion metrics, and a clear framework for cyber and data security. The manager also suggested they highlight more effectively the positive environmental and social initiatives many of their underlying companies are engaged in, e.g. one of the underlying companies offers weighing solutions that create a drastic reduction in waste while enhancing the quality and productivity of manufacturers by as much as 50%.

Case Study: Driving Change

We recognise that we are able to influence investment managers through the work we carry out on manager selection, retention & monitoring. However, we also recognise that client feedback and engagement has a much greater impact. One of our preferred managers for private debt had elected not to become a signatory to the UN PRI. Although ESG factors were integrated into the investment process, there were business specific reasons why they had adopted this approach. For one of our clients, ensuring that all managers are signed up to the UN PRI is a key area of focus. We supported our client in putting pressure on this investment manager to sign up to the UN PRI.

Following pressure from us and from the client over a number of meetings, the manager did sign up to the principles in 2021, citing our client as being one of the main reasons behind this. Furthermore, the manager has commented on the significant benefit and learning to them as an organisation as a result of committing to the principles.

In general, we have found that investment managers are receptive to these dialogues and often it's a resource issue internally that needs to be solved rather than any change to the way in which ESG is integrated throughout the manager's process.

Principle 6
Review & Assurance

We pride ourselves on setting a high bar for all the investment activities we carry out, including in relation to Stewardship & Engagement, and ensure that we have policies and processes in place to deliver on this. Further, in compliance with the Senior Managers and Certification Regime (SMCR), MGIM certifies individuals as competent and capable to perform their role and to demonstrate this; that individuals act with integrity and honesty; and are accountable for their competence, capability and financial soundness.

External Assurance

In terms of external assurance, we seek regular feedback from investment managers on our approach to manager research and specifically with regards to how we assess and provide feedback on ESG related matters and specifically on Stewardship & Engagement. Investment managers often ask us to get involved with wider discussions in their organisation with either the Head of ESG and/or Compliance as they value the direct access that we have to our clients and are uniquely placed to comment on what asset owners expect in this area. As an area of improvement, we may look to formalise this anecdotal feedback in due course through a formal questionnaire. We have also received anectodal positive feedback from our clients lawyers on the first round of TCFD reports that have been produced, where the feedback has commented on the high quality and comprehensive nature of these reports.

Finally, we receive external assurance via the Greenwich Investment Consultant quality survey. This is a survey across 318 pension schemes in the UK, and although we are not permitted due to confidentially reasons to state the results publicly, the ratings we receive are testament to the high quality of service that we provide to our clients.

Internal Assurance

With regards to our clients, we assess the quality of all the services we provide to our clients both quantitatively and qualitatively.

Quantitative assessment

We monitor the progress of our clients' strategic asset allocation against their objectives on a quarterly basis and seek to quantify and explain deviations from the target. Over the long term, whether or not the strategic asset allocation has achieved the client's objectives is the ultimate measure of quality with regards to strategic asset allocation.

With regards to Stewardship, this has historically been a qualitative assessment but there is increasing amounts of quantitative data on ESG and carbon reporting specifically that is becoming widely available. Our approach is to ensure that we fully understand the narrative behind the data which is particularly important in relation to ESG and climate reporting as incorrect conclusions can be drawn from simply relying on data.

Qualitative assessment

Given the inherent challenges with any quantitative assessment, we believe a qualitative framework is generally more appropriate. In our experience this can vary from a formal assessment that is carried out periodically to an informal assessment which is ongoing. Where clients undertake a more formal assessment of performance, they typically focus on the following areas:

» Is the advice proactive rather than solely reactive?

» Is the advice clear, easy to understand and logical?

» Is it clear how the advice fits in with the Trustee's wider strategic objectives?

» Has the advisor taken into account the different perspectives of various stakeholders within the Investment Committee and Sponsor?

» Is the advice comprehensive, covering the pros and cons, the additional benefits to the overall policy and does it include a clear recommendation?

» Has the advice considered any relevant ESG considerations?

» Is the advice delivered in a timely manner?

» Does the advice and service represent value for money?

With regards to Stewardship reporting, we have significantly expanded the amount of reporting that we are providing to clients in this area, as demonstrated under Principle 5. In our view, our stewardship reporting is fair, balanced and understandable. In terms of evolving this reporting, we have made significant progress with regards to climate risk reporting over the next 12 months as we have prepared drafts for our clients of their first TCFD reports. These first reports provide a baseline for clients and we expect that this is an area where further progress will be required to ensure that climate risks are understood and managed. Our focus over the short term will be to work with investment managers to:

» Improve the availability and quality of emissions data; and

» Increase the level of engagement with the highest emitters of carbon across client portfolios.

Stewardship Signatures

The MGIM annual Stewardship Report for the year ended 30th June 2021 was reviewed and approved by the MGIM Manco who consider it to be a complete and accurate report on how we have applied the principles of the Code over the period.

Ferdi van Heerden
Chief Executive Officer

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Chief Compliance Officer

Andrew Hardy
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Director

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