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ANZ UK Staff Pension Scheme Implementation Statement for DB Regulations

Statement of Compliance with the ANZ UK Staff Pension Scheme's Stewardship Policy for the year ending 31 December 2023.

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme's Stewardship Policy during the period from 1 January 2023 to 31 December 2023.

Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee's approach to:

- the exercise of any voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with the Scheme's investment manager and any other stakeholders.

The Scheme's Stewardship Policy is reviewed on an annual basis in line with the Scheme's Statement of Investment Principles ("SIP") review which was last completed in June 2023. No changes to the Scheme's Stewardship Policy were made over the last year.

The Scheme's Stewardship Policy can be found within the Scheme's Statement of Investment Principles, at [ANZ UK SPS - Statement of Investment Principles](#).

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment manager. The Trustee believes it is important that their investment manager takes an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings (where the assets held include voting rights) and engaging with the management on issues which affect a company's financial performance.

Policy implementation

The Trustee's own engagement activity is focused on their dialogue with their investment manager which is undertaken in conjunction with its investment advisers. The Trustee meets regularly with its manager and considers the manager's exercise of stewardship both during these meetings and through reporting provided by the Trustee's investment advisers.

The Trustee also monitors its compliance with the Scheme's Stewardship Policy on a regular basis and is satisfied that it has complied with the Scheme's Stewardship Policy over the year to 31 December 2023.

Voting activity

The Trustee seeks to ensure that their manager is exercising voting rights and, where appropriate, monitors the manager's voting patterns. The Scheme does not currently invest in public equities and therefore has no material exposure to assets which carry any voting rights. As a result, the Trustee's monitoring activity focused on the manager's wider engagement with investee companies over the reporting period.

Engagement activity

All of the Scheme's assets were managed by Insight Investment Management Ltd ("Insight") throughout 2023.

The Scheme's investment portfolio consists of protection assets (nominal and index-linked gilts, as well as cash and derivatives used for hedging) and income generating assets (corporate bonds, loans and asset backed securities).

The Trustee holds meetings with Insight on a quarterly basis where stewardship issues are discussed in further detail. Over the last Scheme year, the Trustee formally met with Insight four times. The Trustee has discussed the following issues over the course of the year.

Date	Subject discussed
24 February 2023	Impact of quantitative tightening on credit markets and outlook in recession scenarios, ABS market update, update on the LDI market's operations post period of gilts market volatility in Q4 2022, the FCA's proposal on sustainable disclosures regulations.
17 May 2023	Paris alignment of the corporate bond portfolio, evolution of the LDI portfolio as a consequence of the wider strategic changes within the Scheme, near-term gilts market outlook, outlook on the banking sector and general credit market.
5 September 2023	Incorporation of biodiversity considerations into Insight's investment process, possible future directions of change in interest rates and inflation, update on current conditions within the gilt and credit repo markets, likelihood of credit rating downgrades across the IG universe due to interest rate rises and impact of higher yields environment on credit quality.
15 November 2023	UK government's revision to its GHG emission reduction plans, systemic risks in gilts market, the Bank of England's proposal on launching a credit facility for non-banking financial institutions, "landing" scenarios analysis for credit assets, update on the Secured Finance fund.

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In addition, the Trustee used outcomes of the Scheme's second annual Environmental, Social and Governance ("ESG") and climate risk report (reviewed in February 2023) to identify investee companies which were the Scheme's worst performing holdings from an ESG perspective. The Trustee then used the quarterly manager meetings to ask Insight to explain why these investments are held in the Scheme's portfolio, what engagement has been carried out to date and whether there has been any progress in terms of ESG performance.

Summary of manager engagement activity

The Trustee also receives regular reporting on Insight's general engagement activity. Over the year ending 31 December 2023, Insight has engaged with a number of debt issuers to which the Scheme has exposure. A significant proportion of Insight's engagement activity focused on issuers from the finance sector. The engagement topics covered environmental, social and governance issues, with particular focus on climate change and financial policies.

Over the year, Insight engaged 133 times with issuers from the Scheme's Buy and Maintain corporate bond portfolio.

Review of policies

The Trustee has committed to reviewing the managers' Responsible Investment (RI) policies on an annual basis. The latest review was undertaken at the May 2023 Investment Committee (IC) meeting. The review considered Insight's general approach to Responsible Investment, including any changes to the relevant policies implemented over the year.

Given the topical nature of the issues, the IC focused particularly on climate change and Net Zero, modern slavery and board composition.

As mentioned above, during the last year, the Trustee received an ESG and climate risk report from its investment advisers, which tracked a number of ESG metrics in relation to the Scheme's holdings. The next annual report (covering the year ending 31 December 2023) was reviewed at the February 2024 IC meeting.

The Trustee and its advisers remain satisfied that Insight's Responsible Investment policies remain suitable and are aligned with the Trustee's own views in this area.

Cost transparency

As the steward of the Scheme's assets, the Trustee is also responsible for reviewing costs associated with management of the assets to ensure that these accurately reflect value added by the manager and are broadly comparable with industry standards.

The Trustee's approach to monitoring these costs is set out in the SIP, which states that:

- The Trustee periodically reviews the fees paid to its investment manager against industry standards; and
- The Trustee will request turnover costs incurred by the asset manager over the Scheme reporting year.

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- Over the last year, the Trustee carried out a review of the costs incurred over the year ending 31 December 2022 and was satisfied that these remained consistent with the nature of the Scheme's investment strategy and the level of transaction activity required over the year.
- The Trustee has recently received the cost data for the year ending 31 December 2023 from the investment manager, reviewed by its investment advisers and remained comfortable with these costs.

June 2024