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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 ended 31 December 2022.

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 2022 to 31 December 2022.

Stewardship policy

The ANZ UK Staff Pension Scheme'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 2022. No changes to the Scheme's Stewardship Policy were made as part of that review.

The Scheme's Stewardship Policy can be found within the Scheme's Statement of Investment Principles, at

<https://www.anz.com.au/content/dam/anzcomau/documents/pdf/aboutus/anz-uk-pension-scheme-statement-investment-principles.pdf>

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 regular dialogue with its 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 adviser.

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 2022.

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 2022.

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 2022	Prevailing repo rates, inflation hedging resilience in the high inflation environment, outlook for the credit markets in light of the central banks' tightening of their monetary policies, Insight's assessment and measurement of climate risks for ABS assets, environmental and social considerations when investing in new bond issuances, greenwashing.
25 May 2022	Inflation expectations and recession concerns, stress testing of credit assets, impact of rising gilt yields on LDI collateral pools, the Scheme's collateral positions, supply and demand within the index-linked gilts market, climate risks and ESG based exclusions within Insight's portfolios, impact bonds.
7 September 2022	Credit markets conditions and impact of rising interest rates on corporate debt, expectations around the new Prime Minister's actions in light of economic slowdown and high inflation, Insight's approach to cybersecurity, Insight's participation in net zero alliance (including work on provision of climate metrics and engagement with the DMO).
17 November 2022	Market's response to the government's 'mini-budget' announcement at the end of September, Insight's communication with the Bank of England during the gilt market volatility, the Scheme's collateral position and leverage levels, conditions in the credit markets and stress testing credit assets.

In addition, the Trustee used outcomes of the Scheme's first Environmental, Social and Governance ("ESG") and climate risk report (reviewed in February 2022) 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 ended 31 December 2022, 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 (consistent with high exposure to this sector within the portfolio). The engagement topics covered environmental, social and governance issues, with particular focus on climate change and financial policies.

Over the year, Insight engaged 177 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 2022 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 at the time, the IC focused particularly on the manager's policies and practices in relation to restriction lists following Russia's invasion of Ukraine, cybersecurity and climate transition.

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 was prepared and reviewed in early 2023.

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.

Over the last year, the Trustee carried out a review of the costs incurred over the year end 31 December 2021 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 had recently received the cost data for the year ended 31 December 2022 from the investment manager, reviewed by its investment advisers, and remained broadly comfortable with these costs.

June 2023