



# ANM Group Ltd Pension & Life Assurance Fund Implementation Report

March 2021

# Background and Implementation Statement

## Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their Statement of Investment Principles (SIP) and demonstrate adherence to these policies in an implementation report.

## Statement of Investment Principles (SIP)

The Fund has updated its SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address:

[http://www.anmgroupp.co.uk/\\_uploads/File/ANM-SIP.pdf](http://www.anmgroupp.co.uk/_uploads/File/ANM-SIP.pdf)

Changes to the SIP are detailed on the following pages.

## Implementation Report

This Implementation Report is to provide evidence that the Fund continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustees have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest
- voting behaviour covering the reporting year up to 31 December 2020 for and on behalf of the Fund including the most significant votes cast by the Fund or on its behalf

### **Summary of key actions undertaken over the Fund reporting year**

- In January 2020 the Trustees terminated the appointment of Invesco to manage a diversified growth mandate. BlackRock were appointed to manage this 10% strategic allocation in the Dynamic Diversified Growth ("DDG") Fund.

### **Implementation Statement**

This report demonstrates that the ANM Group Ltd Pension & Life Assurance Fund has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

# Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions
<b>Interest rates and inflation</b>	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 70% of movements (on a technical provisions basis) in the Fund's liabilities caused by changes in interest rates and inflation expectations.	The Trustees have monitored and maintained the Fund's hedging level through quarterly reporting.
<b>Liquidity</b>	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values).	The Trustees monitor the Scheme's liquidity position as part of quarterly performance reporting.
<b>Market</b>	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away unrewarded risks, where practicable. Keep options to de-risk under review on an ongoing basis.	The Trustees have reviewed the investment strategy to examine options to de-risk the investment strategy as funding has improved.
<b>Credit</b>	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors.	
<b>Environmental, Social and Governance</b>	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Fund's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: - Responsible Investment ('RI')	The ESG policy was reviewed by the Trustees as part of the SIP update in September 2019.  The Trustees are scheduled to review the ESG policies of their underlying

		<p>Policy / Framework</p> <ul style="list-style-type: none"> <li>- Implemented via Investment Process</li> <li>- A track record of using engagement and any voting rights to manage ESG factors</li> <li>- ESG specific reporting</li> <li>- UN PRI Signatory (or equivalent)</li> </ul> <p>The Trustees monitor the managers on an ongoing basis.</p> <p>The Trustees consider ESG issues as part of the investment process, and believe that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes they are investing in.</p>	<p>investment managers, and the actions taken, over the next 12 months.</p>
<b>Currency</b>	<p>The potential for adverse currency movements to have an impact on the Fund's investments.</p>	<p>Hedge all currency risk on all assets that deliver a return through contractual income.</p> <p>Hedge 50% of currency risk on equities.</p>	
<b>Non-financial</b>	<p>Any factor that is not expected to have a financial impact on the Fund's investments</p>	<p>Non-financial matters are not taken into account in the selection, retention or realisation of investments.</p>	

# Changes to the SIP

## Policies added to the SIP

Date updated:  
23 September 2020

**How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.**

As the Fund is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objectives.

The Trustees believe the annual fee paid to the fund managers incentivises them to stick to the fund objective, which is used to reflect the investment strategy.

**How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.**

The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.

The Trustees monitor the investment managers' engagement and voting activity on a periodic basis as part of their ESG monitoring process.

The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.

**How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.**

The Trustees review the performance of all of the Fund's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.

The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.

Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.

**The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.**

The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.

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**The duration of the Fund's arrangements with the investment managers.**

The duration of the arrangements is considered in the context of the type of fund the Fund invests in.

- For closed-ended funds or funds with a lock-in period, the Trustees ensure the timeframe of the investment or lock-in is in line with the Trustees' objectives and the Fund's liquidity requirements.
  - For open-ended funds, the holding periods are flexible and the Trustees will, from time-to-time, consider the appropriateness of these investments and whether they should continue to be held.
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# Implementing the current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Fund's policy with regarding to ESG as a financially material risk. This page details how the Fund's ESG policy is implemented, while the following page outlines Isio's assessment criteria as well as the ESG beliefs used in evaluating the Fund's managers' ESG policies and procedures. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Fund's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustees intend to review the Fund's ESG policies and engagements periodically to ensure they remain fit for purpose.

### Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights and engagement activity	<ul style="list-style-type: none"> <li>Through the manager selection process, ESG considerations will form part of the evaluation criteria.</li> <li>The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Fund and its investments.</li> <li>Through their investment consultant, the Trustees will request that all of the Fund's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.</li> <li>When attending Trustee meetings, investment managers will be asked to present to the Trustees on actions they have taken in</li> </ul>	<ul style="list-style-type: none"> <li>The investment manager has not acted in accordance with their policies and frameworks.</li> <li>The investment managers' ability to abide by the Trustees' ESG policies ceases due to a change in the manager's ESG policies.</li> <li>The manager has received a 'below satisfactory' ESG rating from the investment consultant.</li> </ul>



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respect of ESG factors and their exercise of rights and engagement activity.

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# ESG summary and engagement

## Engagement with investment managers

To date, while the Trustees consider manager's ESG credentials when appointing a manager, the Trustees have not yet carried out a detailed ESG review of the Fund's investment managers. However, the Trustees plan to carry out a review and engage the Fund's investment managers on their ESG policies, either directly or indirectly via Isio as the Fund's investment adviser.

Isio has engaged with all the Fund's investment managers on their ESG policies to ensure they meet a set of minimum criteria.

The Trustees will look to review the appropriateness of this position in 2021.

## Investment managers' engagement activity

As the Fund invests via pooled funds managed by various investment managers, each manager has provided details on their engagement activities, including a summary of the engagements by category over the Fund's reporting year.


Fund name	Engagement summary	Commentary
LGIM Equity Fund range (passive)	LGIM currently do not provide details of their engagement activities at Fund level, however the firm is considering how such information can be provided going forward. Isio will work with LGIM on the development of the firm's engagement reporting.	LGIM's Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.
BlackRock Dynamic Diversified Growth Fund	Total Engagements: 897 Environmental: 520 Social: 395 Governance: 806	BlackRock engage with their companies through their Investment Stewardship team in order to provide feedback and inform their voting decisions. These engagements largely relate to the Fund's equity positions only, which comprised c.28% of the overall portfolio as at 31 December 2020.  Examples of significant engagements include:  <b>Facebook, Inc.</b> - BlackRock regularly reviews Facebook's governance structure and risk profile. In prior engagements with the company's board and management, BlackRock have discussed a range of material issues, including corporate governance

		<p>practices, privacy issues, sustainability and human capital. Over the reporting period, BlackRock addressed several topics including director compensation, efforts to increase transparency and enforcement of their policies. Facebook has now increased transparency regarding its policy enforcement by publishing reports such as its Community Standards Enforcement Report and Ad Library. BlackRock continue to engage with the company regarding the governance of and reporting on material business risks and opportunities.</p> <p><b>Woodside</b> – Following several years of engagement with the company, BlackRock placed Woodside on their watch list and expressed public concern about the insufficient progress made on climate risk and reporting within the firm. When equity positions are placed ‘on watch’ BlackRock expect the companies to make substantial progress within 12 months before voting action is taken against boards and management.</p>
<p><b>Ninety One Diversified Growth Fund</b></p>	<p>Total engagements: 15</p> <p>Government: 1</p> <p>Corporate: 13</p> <p>Industry bodies: 1</p>	<p>Ninety One’s activities are consistent with their ESG policies. They have a systematic approach around engagements in which objectives are outlined in advance and measured based on the outcomes.</p> <p>Ninety One report on how their engagement policy is implemented and the outcomes of their engagements in their Annual Stewardship Report. They monitor the success of engagements by assessing whether they have met their objectives.</p> <p>Examples of significant engagements include:</p> <p><b>Moncler</b>- Over 2020 Ninety One engaged with the company to remove a proposal for the CEO to obtain increased voting rights without supplying additional capital. Ninety One felt this vote could have had a potentially material impact on minority shareholders. While the March 2020 meeting was cancelled as a result of the COVID-19 pandemic, the proposed amendment did not feature in the June meeting agenda. Ninety One suggest that the collective shareholder resistance has been effective so far, but they will continue to monitor for future proposed amendments or a resurfacing of this proposal from the board.</p>
<p><b>Apollo Total Return Fund</b></p>	<p>Total engagements: 28 (all Corporate)</p>	<p>Apollo have a clear due diligence and engagement framework. The team continually engage with portfolio companies through discussion with management, and these engagements have been a key driver for the production for formal company ESG reports</p>

		<p>and Key Performance Indicators. As bond investors, Apollo's voting rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors.</p> <p>Examples of significant engagements include:</p> <p><b>EG Group</b> – As the company's biggest creditor, Apollo encouraged the company to appoint independent members of the board of directors and audit committee. Apollo also emphasised the need to disclose as much information as possible regarding the change in the auditor to KPMG. Following this engagement, the company has appointed one independent director and have plans to appoint two more, including an independent chair of the board of directors and head of the audit committee.</p> <p><b>Clearway Energy</b> – Apollo met with the firm's CEO and CFO to discuss the efficiency of the company's existing renewable wind farms, as well as the acquisition of new renewable wind and solar powered projects. Following this engagement, the company intended to invest at least \$300m in renewable energy projects during 2020.</p>
<p><b>JP Morgan Unconstrained Bond Fund</b></p>	<p>JP Morgan currently do not provide details of their engagement activities at fund-level although this is something they are discussing internally to develop.</p> <p>At firm-level JPM recorded 500 corporate engagements over the period:</p> <p>Governance: 427</p> <p>Environmental: 110</p> <p>Social: 166</p>	<p>JP Morgan follow their Global Fixed Income, Currency and Commodities investment process, which is research-driven and globally integrated. JP Morgan take into consideration relevant and material ESG issues, alongside other fundamental factors in their proprietary analysis, and monitor these factors throughout the investment process. These factors include a consistent approach that spans three pillars, proprietary research, engagement, and portfolio construction.</p> <p>Details on engagements:</p> <p><b>Federal Housing Finance Agency ("FHFA")</b> – JPM engaged with the FHFA to determine whether remedies were in place to protect investors, ensuring consistency amongst Agency Mortgage-Backed Securities issuers. As an investor and stakeholder, JPM engaged with the appropriate government agencies directly to ensure there were remedies in place for misalignment and to protect investors from improper practices. Specifically, JPM wanted to ensure there would be no material deviations in characteristics and prepayment speeds between issuers. As a result of these meetings with management and participation in industry trade group discussions, the FHFA created a committee to monitor prepayment,</p>

		<p>issuance and liquidity differences that may result from the single security platform. These practices are still in place a year later and have been effective in identifying misalignment.</p> <p><b>BP</b> – JPM engaged with BP to encourage increasing participation in the renewable energy transition. JPM met with the chairman of the company who suggested that the company would be more aggressive in setting emissions targets and demonstrate greater transparency in the process. JPM expect that the company’s more balanced approach to investments and acquisitions, directed toward participating in the energy transition, to be sustained, but they would expect a greater financial commitment to these endeavours with upcoming management changes. JPM expressed their disappointment at the company’s high level of greenhouse gas emissions following a recent acquisition of another energy company’s assets. The chairman indicated that the company is on a path to significantly better performance by mid-2020. JPM continue to put pressure on the company to improve its environmental footprint and will closely monitor whether they meet their 2020 targets.</p>
<p><b>BMO LDI Funds</b></p>	<p>Total engagements: 74</p> <p>Labour Standards: 19</p> <p>Climate Change: 29</p> <p>Environmental Stewardship: 5</p> <p>Corporate Governance: 10</p> <p>Business Ethics: 6</p> <p>Human Rights: 4</p> <p>Public Health: 1</p>	<p>BMO’s engagement work is structured both in terms of prioritisation (both in terms of companies to whom they have the greatest exposure and to companies whom they feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones. BMO identifies specific objectives for their engagement with investee companies, recording specific outcomes where objectives are achieved as “milestones”. BMO report these to clients and each milestone is rated on a three-star scale related to the extent to which BMO assesses it to protect and enhance investor value.</p> <p>Details on engagements:</p> <p><b>Barclays PLC</b> - BMO engaged with the company around climate change. As a result, Barclays committed to align the entire financing portfolio to the goals of the Paris Agreement, and to regularly report on progress. As the first international bank with such a bold commitment, along with a rather large fossil fuel financing book, this commitment shows clear climate leadership. BMO have engaged the company on their environmental and climate risk management practices for their lending portfolio in the past.</p> <p><b>UBS Group AG</b> - BMO engaged with the company around their environmental standards, which resulted in UBS announcing</p>

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its commitment to no longer finance new offshore-oil projects in the Arctic, thermal coal mines or oil sands on undeveloped land. BMO have engaged with the firm repeatedly to encourage strengthened credit risk management policies and increased practices to respond to emerging climate-related risks, including those linked to stranded assets in the extractives industries. This commitment goes beyond similar statements BMO have seen from other banks, which focus mostly on thermal coal mining.

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# Voting (for equity/multi asset funds only)

As the Fund invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2020. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
LGIM World Equity Index Fund	<p>Meetings eligible to vote for: 3,659</p> <p>Resolutions eligible to vote for: 42,494</p> <p>Resolutions voted on: 99.1%</p>	<p>There were no significant votes made in relation to the securities held by these funds during the reporting period.</p>	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds.</p>
LGIM World Equity Index Fund (GBP Hedged)	<p>Resolutions voted with management: 81.8%</p> <p>Resolutions voted against management: 17.7%</p> <p>Resolutions abstained from: 0.5%</p>		

**BlackRock  
Dynamic  
Diversified  
Growth Fund**

Meetings eligible to vote for: 984

Resolutions eligible to vote for: 12,609

Resolutions voted on: 96.8%

Resolutions voted with management: 90.6%

Resolutions voted against management: 5.5%

Resolutions abstained from: 0.9%

**Chevron  
Corporation -**

BlackRock voted for a proposal to increase reporting on climate lobbying, as greater transparency into the company's approach to political spending and lobbying as aligned with their stated support for the Paris Agreement would help articulate consistency between private and public messaging in the context of managing climate risk and the transition to a lower-carbon economy.

**Santander  
Consumer USA  
Holdings, Inc. -**

BlackRock voted for a proposal to report on the risk of racial discrimination in vehicle lending, as discriminatory lending practices (of all forms) are a material risk to the company's business and shareholders would benefit from increased and improved disclosure on compliance programs, processes and procedures, as well as risk mitigation processes and procedures, to prevent discriminatory lending.

BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holdings directors accountable and supporting shareholder proposals. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.



**Ninety One  
Diversified  
Growth Fund**

Meetings eligible to vote for: 150

Resolutions eligible to vote for: 1,794

Resolutions voted on: 90.8%

Resolutions voted with management: 93.5%

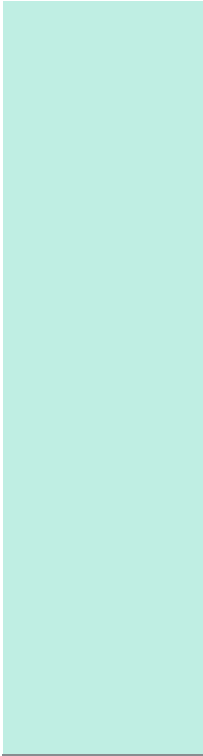
Resolutions voted against management: 6.5%

Resolutions abstained from: 2.3%

**The Walt Disney Company** - In March 2020 Ninety One voted for, and with management, on a proposal to increase the reporting on lobbying payments and policy by the Company. Ninety One felt additional disclosure of the company's indirect lobbying-related oversight mechanisms, along with its trade association payments, would help shareholders better assess the risks and benefits associated with the company's participation in the public policy process.

**Unilever Plc** - In October 2020 Ninety One voted for, and with management, to approve the Cross-Border Merger between Unilever PLC and Unilever N.V. The proposal to unify the Company's structure through a cross-border merger into Unilever plc had a strong strategic rationale, including simplifying Unilever's complex dual-headed structure and the increased optionality it would give the Company in terms of M&A and other

Ninety One use an external proxy research and vote execution service provided by Institutional Shareholder Services (ISS). ISS provide Ninety One with a service through which they deliver both their benchmark research and Ninety One's custom policy research. They then take these into consideration and discuss internally to make a decision in the best interest of the shareholders (which may differ from ISS recommendations).



business transactions; The Group's listings on the Amsterdam, London and New York stock exchanges would be maintained, and the Company had stated there will be no change to the operations, locations, activities or staffing levels in either the UK or The Netherlands as a result of the proposed unification. The vote was passed by the Shareholders.

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