



ANM Group Ltd Pension & Life Assurance Fund

May 2023

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 SIP can be found online at the web address

<https://www.anmgroup.co.uk/wp-content/uploads/sites/2/2022/06/ANM-SIP.pdf>

Any changes to the SIP over the year 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. The Implementation Report details:

- actions the Trustees has 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 has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 December 2022 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 October 2022, during the LDI crisis, caused by significant gilt market volatility in response to the UK Government's unfunded mini budget, the Trustees agreed to reduce the Fund's liability hedge with Columbia Threadneedle from the 90% target to 70% to preserve liquidity in the portfolio.

- In December 2022, following the calming of gilt markets, the Trustees and Company agreed to partially re-increase the hedge from 70% to 85%, which was funded from cash held in the Sterling Liquidity Fund with Columbia Threadneedle.

Implementation Statement

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

Signed

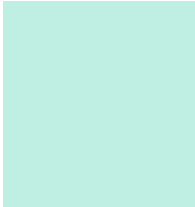
Position

Date

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Fund assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 85% of these risks (on the Technical Provisions basis) in the Fund's liabilities caused by changes in interest rates and inflation expectations.	The Trustees agreed to decrease the hedge during the significant gilt market volatility in October from 90% to 70% (on the Technical Provisions basis). In December, the Trustees agreed to partially re-increase the hedge back up to 85%.
Liquidity	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), and to provide collateral to the LDI.	Over the Fund year, the Trustees have received multiple updates from the investment consultant on the liquidity position of the Fund. The Trustees have agreed a formal policy for meeting any cashflow requirements. During the significant gilt market volatility over October 2022, following a number of LDI recapitalisations, the Trustees agreed to reduce the liability hedge to preserve the remaining liquidity in the Fund.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Trustees have reviewed the investment strategy following significant changes to the Fund's actual allocations during the final quarter of 2022 where the Fund had to reduce a number of its allocations to growth assets to reduce the liquidity strain.

Credit	Default on payments due as part of a financial security contract.	<ol style="list-style-type: none"> 1. To remain appropriately diversified and hedge away any unrewarded risks, where practicable. 2. To diversify this risk by investing in a range of credit markets across different geographies and sectors. 3. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Fund for the risk of default. 	The number of credit managers and breadth of market exposure remained broad over the period, continuing to provide increased diversification of default risk.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Fund's investments.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory <p>The Trustees monitor the managers on an ongoing basis.</p>	<p>The Trustees are scheduled to review the ESG policies of their underlying investment managers, and the actions taken, over the next 12 months.</p> <p>The Trustees receive quarterly updates on Isio's ESG rating that they have applied to managers.</p>
Currency	The potential for adverse currency movements to have an impact on the Fund's investments.	<ol style="list-style-type: none"> 1. The Fund's current mandates hedge all the currency risk back to Sterling. 2. Any active currency positions taken by managers i.e. DGF, DCF, are risk managed and at the discretion of the managers. 	
Non-financial	Any factor that is not expected to have a financial impact on the Fund's investments. This includes the extent to which the views of Fund members and beneficiaries in relation to ethical considerations, social and environmental impact,	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	



or present and future quality of life of the members and beneficiaries of the Fund in the selection, retention and realisation of investments.

Changes to the SIP

There were no changes made to the SIP over the 12 months to 31 December 2022.

There has however been an update in May 2023.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Fund's policy with regards to ESG as a financially material risk.

Risk Management	<ol style="list-style-type: none">1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Fund2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustees
Approach / Framework	<ol style="list-style-type: none">3. The Trustees should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager.4. ESG factors are relevant to investment decisions in all asset classes.5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	<ol style="list-style-type: none">6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important.7. ESG factors are dynamic and continually evolving; therefore the Trustees will receive training as required to develop their knowledge.8. The role of the Fund's asset managers is prevalent in integrating ESG factors; the Trustees will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	<ol style="list-style-type: none">9. The Trustees will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach.10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	<ol style="list-style-type: none">11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why.12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

ESG summary and actions with the investment managers

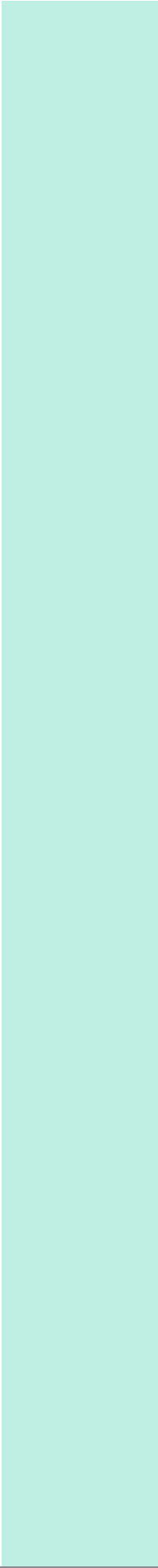
As the Fund invests via fund managers, the managers provided details of their engagement actions including a summary of the engagements by category for the 12-month period to 31 December 2022.

The Trustees intend to carry out an Impact Assessment review of the Fund's investment managers over 2023. The intention is that the Impact Assessment will be completed annually to monitor progress made by the investment managers.

Engagement

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. BlackRock currently only report engagement and voting data for equity funds, and as such, an engagement summary for the BlackRock Long Lease Property Fund has not been included below.

Fund name	Engagement summary	Commentary
LGIM Equity Fund range (passive)	<p>Total engagements: 679</p> <p>Environmental: 341</p> <p>Social: 105</p> <p>Governance: 190</p> <p>Other:43</p>	<p>LGIM currently do not provide examples of their engagement activities at Fund level.</p> <p>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.</p>
BlackRock Dynamic Diversified Growth Fund	<p>Total engagements: 652</p> <p>Environmental: 361</p> <p>Social: 267</p> <p>Governance: 578</p> <p>Number of individual companies engaged: 378</p> <p>Number of companies with multiple engagements: 158</p>	<p>BlackRock's ESG related engagement is led by the BlackRock Investment Stewardship (BIS) team. Engagement is core to BlackRock's stewardship efforts and each year, the firm sets engagement priorities which they consider most important for companies and clients. Where BlackRock believe a company is not adequately addressing a key business risk or opportunity, their most common course of action is to hold members of the board accountable by voting against their re-election.</p> <p>Examples of significant engagement:</p>



Shell Plc – BlackRock met with Shell to discuss the company's Energy Transition Strategy and how it plans to manage climate-related risks and opportunities. Shell demonstrated that they had decarbonisation pathways in place to limit global temperatures to 1.5 degrees in addition to targeting a reduction of 50% in scope 1 and 2 emissions by 2030. BlackRock were comfortable that the company has a clear plan to manage climate-related risks and opportunities which they believe is progressing well.

Meta Platform Inc – BlackRock engaged with the company, formerly known as Facebook, to discuss the company's human capital management, business oversight and risk management. BlackRock had concerns over Facebook's targeted advertising policies and practises. They discussed the company publishing an independent human right's impact assessment to examine these and their ability to manage any potential risks. While they have not committed to publishing a human rights assessment for Facebook, Meta has published an independent human rights assessment on certain business segments. Additionally, they have since joined the United Nations Global Compact and conduct due diligence in line with the United Nations Guiding Principles on Business and Human Rights.

<p>BlackRock Long Lease Property Fund</p>	<p>BlackRock currently do not provide details of their engagement activities due to the nature of the Fund. Isio will work with BlackRock on the development of the firm's engagement reporting.</p>	<p>BlackRock have a robust firm wide ESG process that is well integrated within their Real Assets platform. The Fund has clear engagement priorities in line with firm level stewardship goals, however, BlackRock currently takes the stance that it has limited control over properties. BlackRock recognises the importance of engaging with tenants and note that data improvement is a focus for the Fund.</p>
<p>Ninety One Multi-Asset Sustainable Growth Fund</p>	<p>Total engagements: 30 Number of entities engaged: 13</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>CATL –Ninety One met with the Director of the Board Office and members of the Investor Relations team to engage on carbon emissions and disclosure and talent retention. CATL reports Scope 1 and 2 emissions and has committed to reporting Scope 3 emissions for their 2022 sustainability report, although this is likely to be less than the full range of categories. Ninety One will continue to monitor this and advise and encourage the company to adopt full Scope 3 disclosures. The manager also engaged on CATL's supply chain</p>

		<p>management policy, especially for lithium suppliers. CATL has reiterated their strict environmental standards and Ninety One noted they were pleased to see that the company recently introduced a supply chain sustainability assessment initiative. Ninety One have requested follow ups as part of an ongoing process on this topic.</p>
<p>Apollo Total Return Fund</p>	<p>Total engagements: 39</p> <p>Environmental: 11</p> <p>Environmental and Governance: 3</p> <p>Environmental and Social: 4</p> <p>Environmental, Social & Governance: 17</p> <p>Governance: 1</p> <p>Social: 3</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 of formal company ESG reports 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>Madison IAQ LLC – Apollo engaged with the company on environmental issues. Apollo wanted to better understand how its products contributed to a positive environmental impact as well as how the company ensures waste it collects is disposed in a safe and environmentally friendly way. Madison explained that it provides safe indoor air quality using less energy and increased performance than competitive technologies. The company also confirmed that its products adhere to external guidelines for efficiency and comply with various environmental regulations.</p> <p>Air France-KLM – Apollo's ESG Credit Team and investment team met with</p>

		<p>the company to walk through the key pillars of their sustainability strategy. On the environmental front, they learned that AF committed to a 30% reduction in GHGs per passenger/KM by 2030 (near term target) and 45% next gen aircraft by 2025, 70% 2030. New engines will support fleet renewal for the company. The company also committed to use 10% Sustainable Aviation Fuel by 2030 which can be used in any aircraft. Social and societal responsibility is the second pillar of the Destination Sustainability strategy. The company aims for a third of the positions on the Group's Executive Committee to be held by women and women should represent 40% of management positions by 2030.</p>
<p>JP Morgan Unconstrained Bond Fund</p>	<p>Total Engagements: 362 Environmental: 106 Social: 153 Governance: 103</p>	<p>JP Morgan's engagement activities are formed as part of their Stewardship model, in which investment professionals liaise with Stewardship specialists on a global scale. The engagements included within their report span beyond fixed income, given the scale of the strategy's holdings and global dialogue with investee companies.</p> <p>Examples of significant engagement:</p> <p>TotalEnergies – JP Morgan wrote to the Chairman of the oil company to recommend actions TotalEnergies should be taking with regards to climate change risk. The letter referenced JP Morgan's expectations in relation to greenhouse gas emissions reporting and emission reduction targets, including the pathway towards net zero. At a follow up meeting in February</p>

		<p>2022, the company confirmed their plans to publish methane emissions data. JP Morgan will continue to monitor the company's progress in terms of reporting disclosures and target setting.</p> <p>Glencore PLC – JP Morgan met with the company to discuss the concerns raised from their climate transition progress report. JP Morgan made recommendations on the company's climate plan and disclosures, which included reporting on the annual progress of their scope 1, 2 and 3 emissions actions and enhancing disclosures on their decarbonisation efforts. The company were receptive of JP Morgan's feedback and confirmed it would be considered when next updating their climate disclosures.</p>
Columbia Threadneedle LDI Funds	<p>Total engagements: 23</p> <p>Climate change: 21</p> <p>Environmental stewardship: 11</p> <p>Business Conduct: 1</p> <p>Labour Standards: 5</p> <p>Corporate Governance: 7</p>	<p>ESG issues are central to CT's identity and overall investment philosophy. CT integrate ESG considerations into their counterparty selection process and all counterparty engagements are monitored against pre-defined milestones.</p> <p>Examples of significant engagements include:</p> <p>Barclays PLC – Engagement with the company in relation to climate change. As a result of engagement with shareholders and the introduction of the Inflation Reductions Act in the U.S., Barclays announced that it was accelerating its timeline to phase out the financing of thermal coal power in the US from 2035 to 2030, in line with its approach in the UK and EU.</p>

Columbia
Threadneedle
CT Sterling
Liquidity

Total engagements: 6

Climate change: 4

Environmental stewardship:
4

Business Conduct: 1

Corporate Governance: 1

ESG issues are central to CT's identity and overall investment philosophy. CT integrate ESG considerations into their counterparty selection process and all counterparty engagements are monitored against pre-defined milestones.

Examples of significant engagements include:

HSBC Holdings PLC –

Engagement with the company in relation its energy financing. CT have engaged with the company on setting clear limitations for its energy financing, noting it is a sizeable commitment for the company given the scale of its energy portfolio. Following engagement with the company, HSBC have published a new Energy Policy which includes reference to a stronger coal exit policy, a dedicated client engagement programme as well as limitations of financing for new large dams, new nuclear power projects, new greenfield oil sands projects, or new offshore oil and gas in the Arctic.

Voting (for equity/multi asset funds only)

The Trustees have acknowledged responsibility for the voting policies that are implemented by the (Fund's) investment managers on their behalf.

The (Fund's) fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2022. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
LGIM World Equity Funds (passive)	<p>Resolutions eligible to vote: 3,113</p> <p>Resolutions voted on: 99.8%</p> <p>Resolutions voted with management: 78.9%</p> <p>Resolutions voted against management: 20.4%</p> <p>Resolutions abstained from: 0.7%</p>	<p>Apple Inc</p> <ul style="list-style-type: none"> - Date of vote: 04/03/2022 - Approximate size of the mandate's holding: 0.6% - Summary of the resolution: Report on Civil Rights Audit - LGIM voted For the resolution - LGIM voted in favour of the resolution as the proposal related to diversity and inclusion policies which are issues they consider to be a material risk to companies. - The outcome of the vote: Pass (53.6%) - LGIM will continue to engage with the investee company, publicly advocate their position on this issue and monitor company and market-level progress. - LGIM have assessed this vote to be an example of "most significant" as they view gender diversity as a financially materials issue for their clients, with implications for the assets managed on their behalf. 	<p>LGIM's Investment Stewardship team are responsible for managing voting activities across all funds. The team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions</p> <p>14.4% of resolutions on which LGIM voted were contrary to the recommendation of their proxy adviser.</p>
BlackRock Dynamic Diversified Growth Fund	<p>Meetings eligible to vote: 898</p> <p>Resolutions eligible to vote: 11,899</p>	<p>Rio Tinto Group</p> <ul style="list-style-type: none"> - Date of vote: 08/04/2022 - Summary of the resolution: Approve Climate Action Plan - BlackRock voted For the resolution - BlackRock voted in favour of the resolution as Rio Tinto's action plan, targets, and 	<p>BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holding directors accountable and supporting shareholder proposals. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against</p>

	<p>Resolutions voted on: 85.5%</p> <p>Resolutions voted with management: 89.0%</p> <p>Resolutions voted against management: 5.4%</p> <p>Resolutions abstained from: 1.6%</p>	<p>disclosures are consistent with what BlackRock look for and, in their assessment, demonstrate management and board responsiveness to shareholder feedback. As such, BlackRock determined it was in the best interests of its clients as long-term shareholders to support the proposal.</p> <ul style="list-style-type: none"> - The outcome of the vote: Pass - BlackRock will continue to engage with the company to further assess progress, especially in relation to the group's strategy of combining investments in commodities that will enable them to decarbonise their operations and value chains. 	<p>the re-election of the directors responsible to express this concern.</p>
<p>Ninety One Multi-Asset Sustainable Growth Fund</p>	<p>Meetings eligible to vote: 80</p> <p>Resolutions eligible to vote: 976</p> <p>Resolutions voted on: 100%</p> <p>Resolutions voted with management: 92.5%</p> <p>Resolutions voted against management: 7.5%</p> <p>Resolutions abstained from: 0.5%</p>	<p>Waste Management, Inc.</p> <ul style="list-style-type: none"> - Date of vote: 10/05/2022 - Summary of the resolution: Report on Civil Rights Audit – Shareholder resolution - Ninety One voted for the resolution - Ninety One voted in favour of the resolution as a report on analysing the adverse impacts of the company's business practices on the civil rights of its stakeholders would allow shareholders to better understand how the company is managing related risks. - The outcome of the vote: Pass - Ninety One have assessed this vote to be an example of "most significant" as the resolution was submitted by shareholders and was passed. 	<p>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).</p> <p>1.95% of resolutions on which Ninety One voted were contrary to the recommendation of their proxy adviser.</p>

