



ANM Group Ltd Pension & Life Assurance Fund

July 2024

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/2/2023/05/20230516-ANM-Group-Ltd-Pension-Life-Assurance-Fund-Final-SIP-Signature-removed-for-website-1.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 2023 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, the Trustees reviewed the investment strategy and considered the future direction of travel for the Fund. The Trustees and Company concluded that they wished to deploy the cash that the Fund was holding, and to set the strategic benchmark similar to the position that the Fund's assets were currently invested in. The agreed revised strategic benchmark is reflected in the updated SIP.
- Following Isio's due diligence review of all LDI managers over Q4 2022 and Q1 2023, Isio downgraded their research view on Columbia Threadneedle. The Trustees considered possible alternatives for the Fund's LDI assets at the Trustee meeting in May and agreed to fully sell down the Fund's assets held with Columbia Threadneedle and transfer the liability hedging mandate to

Legal & General Investment Management (“LGIM”). The LDI mandate was successfully switched across to LGIM in July 2023.

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 Chris Roberts

Position Chair of Trustees

Date 16/07/2024

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 reviewed LDI managers in May and agreed to transition to Legal & General Investment Management following Isio's due diligence downgrading Columbia Threadneedle to: "Does not meet criteria".
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.
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 in January reviewed the investment strategy and considered the future direction of travel. They deployed excess cash and set the strategic benchmark similar to the actual position the funds assets where in.
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.

<p>Environmental, Social and Governance</p>	<p>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>	<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>
<p>Currency</p>	<p>The potential for adverse currency movements to have an impact on the Fund's investments.</p>	<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. 	
<p>Non-financial</p>	<p>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, or present and future quality of life of the members and beneficiaries of the Fund in the selection, retention and realisation of investments.</p>	<p>Non-financial matters are not taken into account in the selection, retention or realisation of investments.</p>	

Changes to the SIP

There were changes made to the SIP in November 2023.

Policies added to the SIP

Date updated:
May & November 2023

The Investment Management Arrangements

The Trustees and Company concluded that they wished to deploy the cash that the Fund was holding, and to set the strategic benchmark similar to the position that the Fund's assets were currently in. The agreed revised strategic benchmark is in the changes to the SIP.

Collateral Management Policy

The Trustees are targeting a level of collateral within the Fund's automated collateral waterfall with LGIM (the Fund's LDI manager) equivalent to at least 50% of the Fund's LDI funds. This is estimated to be sufficient to cover at least 2 collateral calls.

The Trustees will review their collateral management policy no less frequently than annually, or as soon as possible in the event of significant market movements.

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 2023.

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 investments, 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: 734</p> <p>Environmental: 400</p> <p>Social: 111</p> <p>Governance: 184</p> <p>Other: 39</p>	<p>LGIM currently do not provide examples of their engagement activities at Fund level.</p> <p>LGIM has a dedicated and well-resourced team focused on key ESG issues. However, there is limited scope to adapt the investment approach to ESG in the passive equity range.</p>
BlackRock Dynamic Diversified Growth Fund	<p>Total engagements: 427</p> <p>Environmental: 157</p> <p>Social: 166</p> <p>Governance: 398</p> <p>Number of individual companies engaged: 247</p> <p>Number of companies with multiple engagements: 102</p>	<p>Blackrock have strong firm-wide ESG policies, large, dedicated ESG teams and uses a wide range of internal and third-party data sources all to support and implement its sustainable approach to investing.</p> <p>However, there is less detailed evidence of these ESG objectives being monitored and measured against at a fund level, and the outcomes of any ESG analysis, ratings, and engagement i.e. included to be part of regular reporting at a fund level.</p> <p>Examples of significant engagement:</p> <p>Barclays– BlackRock engaged with the company in order to discuss climate risk and opportunities which BlackRock think can be a defining factor for long term prospects.</p>

		<p>BlackRock voted to approve Barclays' Climate Strategy, Targets and Progress 2022, this proposal recognises the company's disclosed plan to manage climate-related risks, opportunities and the company's progress against this plan. They do, however, believe there are areas where the company could enhance its disclosure.</p> <p>Shell plc– BlackRock engaged with the company, to discuss corporate strategy and climate risk. BlackRock voted to approve the Shell Energy Transition Progress, a management proposal in recognition of the delivery to against the company's Energy Transition Strategy.</p>
BlackRock Long Lease Property Fund	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.	BlackRock have a robust firm wide ESG process that is well integrated within its Real Assets platform. Each asset within the portfolio is reviewed from an ESG standpoint and is monitored throughout the lifecycle of an investment. Despite their limited control over properties, they expect to place a greater emphasis on engaging with tenants going forward.
Apollo Total Return Fund	<p>Total engagements: 42</p> <p>Environmental: 6</p> <p>Environmental, Social & Governance: 16</p> <p>Governance: 18</p> <p>Social and governance: 2</p>	<p>Apollo have a central ESG team, including a sub-team that is dedicated to ESG Credit. These teams work in partnership with credit investment professionals. ESG considerations are integrated into the Fund's risk management framework and due diligence process. Their internal ESG ratings system incorporates sector-specific scoring.</p> <p>Examples of significant engagements include:</p> <p>Adani Ports and Special Economic Zone Limited – Apollo's ESG Credit Team engaged with the company on their thermal coal and emissions reduction strategy. The company shared it is</p>

targeting carbon neutrality 2025 and net zero by 2040. The main initiative being the electrification of their inter terminal vehicles and cranes, so that they can run entirely on renewable energy. Also the company is starting to do mangrove restorations, having already reforested 3,400 hectares and plan to increase this by another 2,000 hectares.

R. R. Donnelley & Sons Company – Apollo’s ESG Credit team emailed the company to gather more information about the SEC investigation that alleges a third party agent of the company engaged in bribing the government of Brazil. The company has shared that it has established tighter controls going forward and increased training around FCPA risk. The company has employed PwC to conduct FCPA risk assessments of subsidiaries across their business platform.

<p>JP Morgan Unconstrained Bond Fund</p>	<p>Total Engagements: 210 Environmental: 115 Social: 97 Governance: 95</p>	<p>J.P. Morgan has well-developed ESG and stewardship policies, including a Firm-level commitment to net-zero greenhouse gas emissions by 2050. They have dedicated significant resource to their central Sustainable Investing Team and it’s programmes, as well as engaging in wide ranging industry collaboration.</p> <p>Lonovo Group – JP Morgan met their senior AI scientist and senior manager of global AI business. JP Morgan queried about its AI governance principles, the</p>
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oversight structure, and the current practice. Lenovo is using to mitigate risks arising from these emerging technologies.

Lenovo established a responsible AI committee to develop and oversee AI principles comprised of a group of 20 people with diverse backgrounds. Lenovo further indicated that it has created six pillars for its responsible AI practice, which includes diversity and inclusion, privacy and security, accountability and reliability, explainability, transparency and environmental and social impact.

Lennar – JP Morgan had concerns about both the magnitude of executive pay at the US homebuilder Lennar as well as the structure of the compensation program.

JP Morgan met the CFO and shared their concerns about the compensation structure. Lennar capped short term cash compensation to \$6-\$7m half the previous levels.

LGIM Sterling Liquidity Fund

Total engagements: 6
 Climate change: 17
 Activism: 1
 Board Composition: 1
 Capital Management:1
 Climate Impact Pledge:2
 LGIM ESG Score:1
 Nominations and succession: 1
 Overboarding: 1

LGIM is one of the more advanced asset managers in relation to ESG integration, with a well-defined firm ESG policy and net zero commitment. LGIM also collaborates with a range of industry participants to influence a range of ESG topics. For cash funds, there are no fund-specific ESG objectives within the investment approach. However, LGIM have a strong stewardship process and provide quarterly ESG reporting for its cash funds.

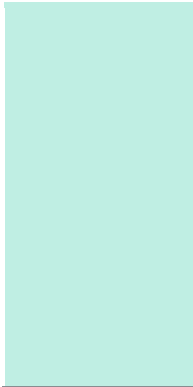


Voting (for equity/multi asset funds only)

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 2023. 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: 3,055</p> <p>Resolutions voted on: 99.9%</p> <p>Resolutions voted with management: 78.9%</p> <p>Resolutions voted against management: 20.9%</p> <p>Resolutions abstained from: 0.1%</p>	<p>Exxon Mobil Corporation</p> <ul style="list-style-type: none"> - Date of vote: 31/05/2023 - Approximate size of the mandate's holding: 0.7% - Summary of the resolution: Shareholders calling for a report on Asset Retirement Obligations under IEA Net Zero Emissions Scenario - LGIM voted For the resolution - LGIM voted in favour of the resolution as the proposal related to retirement costs of assets that may occur in an accelerated climate transition. companies. - The outcome of the vote: Fail (16%) - LGIM will continue to engage with the company and monitor progress. - LGIM considers this vote to be significant as LGIM co-filed this shareholder resolution as an escalation of our engagement activity, targeting some of the world's largest companies on their strategic management of climate change. 	<p>LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.</p> <p>15.4% 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: 575</p> <p>Resolutions eligible to vote: 7,491</p> <p>Resolutions voted on: 93%</p>	<p>Broadcom Inc</p> <ul style="list-style-type: none"> - Date of vote: 03/04/2023 - Summary of the resolution: Approve named executive officer compensation - BlackRock voted Against the resolution - BlackRock did not support Broadcom's say-on-pay proposal which sought approval of pay 	<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 the re-election of the</p>



Resolutions
voted with
management:
94%

Resolutions
voted against
management:
5%

Resolutions
abstained
from: 2%

- policies that we did not consider to be aligned with the interests of long-term shareholders. BlackRock will continue to engage with the company to further assess progress.

directors responsible to express this concern.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.