ANZ UK Staff Pension Scheme

Statement of Investment Principles

This is the Statement of Investment Principles made by the Trustee of the ANZ UK Staff Pension Scheme (the 'Scheme') in accordance with the Pensions Act 1995 (as amended) and The Occupational Pension Schemes (Investment) Regulations 2005 (as amended).

It is subject to periodic review by the Trustee at least every three years and as soon as practicable after any significant change in investment policy, for example at the next Trustee meeting or annual review of the Scheme's governance documents.

In preparing this Statement, the Trustee has consulted with the principal employer to the Scheme, Australia and New Zealand Banking Group Limited (the 'Sponsor'), and has taken and considered written advice from Hymans Robertson LLP, as the Scheme's appointed investment adviser.

The principles and practices adopted by the Trustee as the basis for its investment decision making are set out in its Scheme Governance Principles document.

Scheme Objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee's over-riding funding principle for the Scheme is to set the investment strategy and the employer contribution at a level which is sufficient:

- to ensure that there are sufficient assets in the Scheme to meet benefits in full as they fall due for payment to members;
- to build up assets to provide for the accrual of future benefits for active members over time.

For active members, the Scheme's valuation of these liabilities is based on pension benefits accrued up to the date of the last formal actuarial valuation and includes an allowance for future salary increases. The value of liabilities for all members and dependants is calculated on the basis agreed by the Trustee and the Sponsor, having taken advice from the Scheme actuary.

The funding position is monitored regularly by the Trustee and explicitly reviewed at each formal actuarial valuation, or more frequently as required by the Pensions Act 2004. The Statement of Funding Principles, which is agreed between the Trustee and the Sponsor, sets out in more detail the Trustee's policy for securing its funding objective.

Buy-in Policy

In June 2024, the Trustee entered into an insurance policy ("the Policy") with Pheonix Life Limited (trading as Standard Life, "Standard Life") which covers all benefits due to deferred and pensioner members of the Scheme as well as benefits accrued by the active members until 30 September 2023. The majority of the Scheme's assets were transferred to Standard Life as an insurance premium at the time.

Under the policy, Standard Life makes monthly payments to the Scheme to match the insured liabilities and cover benefit payments to members. Standard Life covers the longevity risks of members as well as the investment risks of the assets under the Policy. In entering the Policy, the Trustee received written advice as necessary from their professional advisers.

Standard Life is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. The Trustee carried out extensive due diligence assessment on Standard Life, noting the regulatory environment in which the insurer must operate.

Suitability of the Policy

The Trustee has taken advice from the Scheme's risk transfer advisers and Scheme actuary who have confirmed appropriate knowledge and experience of the management of and investment of trust schemes, to ensure that the Policy is suitable.

Investment Strategy

The majority of the Scheme's assets now consist of the Policy, whereby the liabilities of the Scheme are secured by this matching asset.

The Scheme's assets outside of the Policy are held in a strategy which aims to:

- hedge the remaining liabilities (e.g. ongoing accrual of benefits for active members and potential changes to the liabilities due to GMP equalisation); and
- preserve the value of assets / generate modest returns to ensure sufficient funds are available to meet the Scheme's ongoing expenses.

In order to meet these objectives, the Trustee has agreed a suitable strategic asset allocation for the Scheme, consisting of gilts, investment grade corporate bonds and cash.

Choosing Investments

As mentioned above, the Trustee entered into a contract with Standard Life as an insurance provider of the Policy which secures the vast majority of the Scheme's liabilities. Standard Life is solely responsible for management of assets backing the Policy and ensuring that sufficient funds are available to meet its obligations to the Scheme.

In addition, the Trustee currently mandates an investment manager who is authorised under the Financial Services and Markets Act 2000 and regulated by the Financial Conduct Authority to undertake investment management of the residual assets, to whom the Trustee has delegated day-to-day investment decisions. The Trustee ensures that all manager engagements have clearly defined benchmarks, objectives and management parameters.

The Trustee invests the residual assets in a range of pooled funds. The objectives of the funds and the policies of the investment manager are evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

Remuneration for the investment manager is determined at the inception of each mandate based on commercial considerations and typically fees are charged in proportion to the value of the assets managed. The Trustee periodically reviews the fees paid to its investment manager against industry standards.

The Trustee reviews the nature of Scheme investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity. If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability.

The Trustee currently invests only in open-ended investments. For this type of investment, the Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. All mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

The Trustee reviews the performance of its manager and mandates on a regular basis against a series of metrics, including financial performance against the benchmark and objectives of the mandate, the exercise of stewardship responsibilities (including engagement with issuers) as set out in greater detail below, and the management of risks.

Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed and could result in termination. The manager is expected to provide explanation for any significant deviations away from benchmark or target, as appropriate.

Kinds of investment to be held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index-linked bonds, cash, property and commodities either directly or through pooled funds. The Scheme may also make use of contracts for differences and other derivatives (or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Scheme may also utilise annuity contracts provided by insurance companies. The Trustee considers all of these classes of investment to be suitable after having taken investment advice.

Balance between different kinds of investments

The majority of the Scheme's assets are now held in the Policy, which covers the vast majority of the Scheme's liabilities. As such, the Trustee accepts that the principles of balance between investments are only applicable to the residual assets i.e. those not connected to the insurance policy.

The strategic asset allocation of the Scheme includes a mix of asset classes across a range of geographic regions in order to provide diversification of returns. The Scheme's investment manager will hold a mix of investments within its mandates which reflects its views relative to its respective benchmarks.

Risk

The Scheme is exposed to a number of risks which pose a threat to the Scheme meeting its objectives. The principal risks affecting the Scheme are:

Funding risks

- Financial mismatch – 1. The risk that Scheme assets fail to grow in line with the developing cost of meeting Scheme's remaining uninsured liabilities. 2. The risk that unexpected inflation increases the remaining uninsured pension and benefit payments and the Scheme assets do not grow fast enough to meet the increased cost.

- Changing demographics – The risk that longevity improves and other demographic factors change increasing the cost of Scheme's remaining uninsured benefits.

- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Scheme's remaining uninsured liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.

The Trustee purchased the Policy which secures the vast majority of the Scheme's liabilities. All members covered by the Policy continue to be members of the Scheme, and the Trustee continues to have ultimate responsibility for payment of benefits to these members.

The Policy exposes the Scheme to insurance provider risk, i.e. the risk that Standard Life fail to meet their obligations to the Scheme and its members. The Trustee expects the insurance provider risk to be addressed through the supervisory regime applicable to insurance companies within the UK. The Trustee also monitors the monthly payments of benefits from the insurer to the Scheme. The Trustee also meets regularly with Standard Life to discuss the firm's investment strategy, financial performance and administration of the Policy, amongst other considerations.

The Trustee has mitigated systemic risk through the purchase of the Policy but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

The Trustee keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered explicitly at each formal valuation. The Policy addresses these demographic risks for the vast majority of the Scheme's liabilities.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving the Scheme's funding objectives.

- Illiquidity - The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.

- Manager underperformance - The failure by the fund manager to achieve the rate of investment return assumed in setting its mandates.

- Environmental, Social and Governance (ESG) risks – The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

- Climate risk – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustee recognises that purchase of the Policy introduced additional concentration and illiquidity (as the Policy cannot be sold) risk. However, given the contractual and regulatory protection associated with the Policy, the Trustee is comfortable that on balance, this is a suitable investment for the Scheme.

Across the residual assets, the risks are mitigated by investing across a range of liquid asset: gilts, corporate bonds and cash. The Trustee also monitors the Scheme's investments against its strategic asset allocation and mandate specific rebalancing ranges. Each of the mandates has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Trustee's expected parameters.

The decision to appoint only one investment manager to manage the residual assets does involve some degree of risk (from potential underperformance of that manager) which the Trustee accepts as a reasonable compromise given the size of the residual asset portfolio and the needs of the Scheme.

The Trustee does not expect the manager to take excess short term risk and will regularly monitor the manager's performance against the benchmarks and objectives set on a short, medium and long term basis.

The Trustee's approach to the consideration of ESG risks and climate risk is set out in further detail below.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers or mandates. When carrying out significant transitions, the Trustee takes professional advice and considers the appointment of specialist transition managers.

- Custody risk - The risk of losing economic rights to Scheme assets, when held in custody or when being traded.

- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustee monitors and manages risks in these areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Scheme, or has delegated such monitoring and management of risk to the appointed manager as appropriate (e.g. custody risk in relation to pooled funds).

Expected return on investments

The investment strategy aims to achieve a return on Scheme assets which, taken in conjunction with contributions, is sufficient over time to meet the Scheme's liabilities and maintain the Scheme's current strong funding position.

Realisation of investments

The Scheme's residual assets (i.e. those not held in the Policy) are held in highly liquid funds and may be realised quickly if required.

The insurance contract with Standard Life is illiquid. This is recognised by the Trustee as it is not expected to be sold in the future.

Portfolio turnover

For the Scheme's residual assets, the Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio.

Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects the manager to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period.

The Trustee will challenge its manager if there is a sudden change in portfolio turnover or if the level of turnover seems excessive. The Trustee will request details of the turnover costs incurred by the investment manager over the Scheme reporting year.

Environmental, Social and Governance ("ESG") considerations

Sustainable investment

The Trustee recognises that environmental, social and governance considerations are among the financially material factors which the investment manager and insurer will take into account, where relevant, when selecting investments for purchase, retention or sale.

The Trustee has explicitly acknowledged the relevance of ESG factors (including climate risk) in framing its investment beliefs, and these beliefs are reflected in the principles set out below and in the broader implementation of the Scheme's investment strategy. The Trustee has reviewed the Sponsor's policies on ESG factors and has taken these into account when forming its own policies.

The Scheme's strategic benchmark has been determined using appropriate long-term economic and financial assumptions. These assumptions apply at a broad market level and are considered to reflect all financially material factors.

Noting the objectives of the Scheme, the Trustee has not considered any non-financially material factors in the development and implementation of the investment strategy. The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

The Trustee periodically discusses climate change with its investment adviser and investment manager to consider the potential implications for the Scheme's investments. Given the potential long-term impact on the Scheme, the Trustee has explicitly considered the risks of climate change in deriving the Scheme's investment strategy.

Given the discretion afforded to the investment manager in relation to the Scheme's active mandates, the Trustee expects that the investment manager will take account of all financially material factors including the potential impact of ESG factors in the implementation of its mandates.

Within active mandates, the Trustee has delegated responsibility for the consideration of stock specific issues to the investment manager. The Trustee has discussed the extent to which ESG issues, where relevant to the investment mandate, are integrated into the investment processes of the investment manager and is satisfied that the manager is following an approach which takes account of all financially material factors.

The Trustee periodically discusses with its investment manager how it incorporates its ESG approaches into its investment processes in order to get comfortable that the investment manager has the ability to assess how long-term risks, including those which are derived from ESG issues, could impact the Scheme's assets. The Trustee is largely reliant on the manager to mitigate these risks.

Where investment is made on an index tracking basis, the manager is required to invest in line with the benchmark index; consequently, there is little discretion over the choice of securities in the portfolio. However, the Trustee regularly meets with the Scheme's investment manager to monitor its performance and governance approach and would review the index benchmarks employed for the Scheme on at least a triennial basis.

The manager has also produced statements setting out its policies on ESG factors. The Trustee pro-actively questions the Scheme's manager about its environmental, social and governance activities and policies during monitoring meetings.

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustee explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in its decision making.

The Scheme's Policy with Standard Life has not been structured with expected return in mind, but instead aims to match the Scheme's benefit obligations. However, as part of the broader formal insurer selection process, the Trustee has considered Standard Life's approach to ESG integration, in addition to other financially material factors, such as financial strength, administration capabilities, and market experience. The Trustee will continue to review these matters as part of the ongoing engagement with the insurer.

Effective stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers, and the monitoring of compliance with agreed policies. The Trustee expects its investment manager to comply with the Financial Reporting Council's UK Stewardship Code, or equivalent relevant country-specific regulations, and to explain any non-compliance.

If the manager does not adhere to a recognised set of principles for responsible investment, the Trustee will seek the manager's explanation and take reasonable steps to ensure that it is comfortable with the policy that the manager has in place in respect of this.

Although the Scheme does not currently invest in any assets with attached voting rights, in general, the Trustee has adopted a policy of delegating any voting decisions on stocks to its investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.

The Trustee does not engage directly but believes it is sometimes appropriate for its investment manager to engage with key stakeholders – which may include corporate management, regulators and governance bodies – relating to its investments, to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee will review engagement activity undertaken by its investment manager as part of its broader monitoring activity.

Responsibility for investment decisions has been delegated to the investment manager which includes consideration of the capital structure of investments and the appropriateness of any investment made.

Where the manager is responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments, and has ensured that each manager has an appropriate conflicts of interest policy in place.

Although Standard Life is solely responsible for management of the assets backing the Scheme’s insurance policy (including any engagement with the underlying issuers), the Trustee will periodically discuss with the insurer its approach to stewardship, including voting and engagement activity as relevant.

The Trustee aims to meet with the Scheme’s investment manager periodically. The manager is provided with an agenda for discussion, including issues relating to individual holdings and, where appropriate, ESG and stewardship issues. The manager is challenged both directly by the Trustee and by its investment advisers on the impact of any significant issues (including ESG issues) that may affect the prospects for return from the portfolio.

Stock Lending

Stock lending is not permitted in any of the Scheme’s existing mandates.

Additional Voluntary Contributions (AVCs)

The Trustee gives members the opportunity to invest in a range of vehicles at the members' discretion.

Signed for and on behalf of ANZ Pensions (UK) Limited
Trustee of the ANZ UK Staff Pension Scheme

Original signed by PR Goshawk	*Original signed by NP Williams*
Director	*Director*

18 February 2025

Appendix 1: Version Control Record

Table of Amendments

The table below records changes to this document since publication on ANZ.com's website.

Version	Nature of Change	Implemented
1. Version 1	Revisions & updates	28-Nov-19
2. Version 2	Revisions & updates	24-Sep-20
3. Version 3	Revisions & updates	08-Jun-21
4. Version 4	Review	07-Jun-22
5. Version 5	Review	22-Sep-22
6. Version 6	Review	15-Jun-23
7. Version 7	Revisions & updates	18-Feb-25