

Implementation Statement, covering the Anglian Water Group Pension Scheme from 31 March 2024 to 31 March 2025 (the “Scheme Year”)

The Trustee of the Anglian Water Group Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Scheme Year (12 months to 31 March 2025). This is provided in Sections 1 and 2 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

1. Introduction

There were no changes to the SIP during the Scheme Year, and therefore no changes to the Trustee’s voting and engagement policies. The last time the SIP was formally reviewed and updated was September 2023.

The Trustee has, in its opinion, followed all policies in the Scheme’s SIP during the Scheme Year, including the voting and engagement policies.

2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustee takes ownership of the Scheme’s stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

Over the Scheme Year, the Trustee carried out a number of actions (set out below) to monitor its managers’ approaches to climate risk, ESG and stewardship as financially material considerations and to further its own understanding of these issues within the Scheme’s investments.

- The Trustee has set an ambitious net zero commitment to help mitigate climate risk. The Trustee aims to align the Scheme’s assets with net zero greenhouse gas emissions by 2040 through selecting managers, and investing in funds, with credible net zero targets. While a fully 2040-aligned portfolio may not be possible today given that much of the wider world is targeting 2050, it is a stretching target that requires the Trustee to challenge its investment managers to be more ambitious and, therefore, to act as a catalyst to help the world decarbonise more quickly than by 2050. To support the net zero commitment the Trustee has set two interim climate targets:
 - For the Scheme’s public corporate bond and illiquid credit holdings, the Trustee has set a target for its investment managers to have 70% of portfolio emissions covered by engagements or be aligned with net zero by 2030.
 - For the Scheme’s public corporate bond holdings, the Trustee has set a target for 63% of these holdings by weight to have science-based emissions reduction targets by 2030.
- The Trustee collected data on four climate-related metrics: total emissions, carbon footprint (emissions per £m invested), portfolio alignment (a measure of alignment with a transition to a net zero economy) and data quality.
- The Trustee has also agreed to set a target against the fourth metric – data quality – by 31 December 2026, which aims to increase the emissions data quality provided by fund managers. There had been good progress by 30 September 2024 in comparison to the reference (or baseline) date.
- Following the introduction of DWP’s stewardship guidance, in February 2023 the Trustee agreed to set the following stewardship priorities to focus engagement with their investment managers on specific ESG factors:

climate change, business ethics and corporate transparency, and diversity, equity & inclusion. There were no changes to these stewardship priorities during the Scheme Year.

- On a quarterly basis, the Trustee reviewed LCP's sustainable investment ("SI") scores for the existing managers and funds, along with LCP's qualitative SI assessments for each fund and red flags for any managers of concern. These scores cover each manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2024. The Trustee monitors this information, as well as progress that managers have made in signing up to industry wide initiatives such as the UK Stewardship Code 2020 on an ongoing basis as part of the regular quarterly reporting provided by LCP. The Trustee was generally satisfied with the SI-related ratings of the Scheme's key managers and funds during the Scheme Year. Where there are issues the Trustee is less satisfied with, LCP follows up with the managers on behalf of the Trustee. This usually happens after a more-detailed review of managers' SI approaches, which takes place once a year - the last review took place in February 2025 where the Trustee reviewed the climate practices of 6 of the Scheme's managers.
- Additionally, the Trustee received quarterly updates on ESG and stewardship related issues from LCP and ad-hoc briefings on key industry developments including regulatory updates.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Scheme Year

Due to the nature of the Scheme's assets (no physical listed equity exposure), there were few voting opportunities during the Scheme Year. The Trustee did not use the services of a proxy voter during the period.

The Trustee contacted the Scheme's asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. Commentary provided from these managers is set out in Section 3.1 below.

Even where there are not voting rights attached to assets, the Trustee still expects its investment managers to engage appropriately with issuers. Commentary on engagement activity from the Scheme's liquid corporate bond portfolio (which is the largest component of the Scheme's assets) is provided in Section 3.2 below.

3.1 Votes in relation to assets other than listed equity

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

The following comments were provided by the Scheme's asset manager HPS who does not hold listed equities, but invests in assets that had voting opportunities during the Scheme Year:

"HPS has engaged Institutional Shareholder Services Inc. ("ISS") to manage its proxy voting and has instructed its prime brokers and custodians, with respect to such client securities, to forward to all proxies received in connection with securities of such clients to ISS."

HPS had one voting opportunity over the Scheme Year concerning routine corporate governance matters which was not deemed significant.

3.2 Examples of engagement by the Scheme's liquid credit manager

This section provides some examples of engagement by the Scheme's liquid credit investment manager, Insight, with the investee companies of which debt was held and managed on behalf of the Trustee. Whilst Insight does not have voting rights on these corporate debt holdings, nonetheless it can still engage with management to influence and improve business practices. The examples have been selected as they align with the stewardship priorities of the Trustee.

Engagement with Caterpillar on climate change

In Q2 2024 Insight engaged with Caterpillar, a US manufacturer of construction and mining equipment, to encourage the company to set a target for Scope 3 emissions.

Insight encouraged Caterpillar to address Scope 3 emissions more holistically and to clarify the assessment criteria used in its existing target. Insight also suggested additional specific and quantifiable disclosures at the portfolio, or

product category level, to clarify which products are considered next-generation, or new technology, or across the various sustainability characteristics used in the framework (waste, efficient, remanufacturing, emissions).

Insight is optimistic that Caterpillar will revise and enhance its sustainability programmes, targets and disclosures and will be monitoring this in future reporting.

Engagement with Renault SA on corporate transparency and business ethics and climate change

In Q1 2025 Insight engaged with Renault, a large European car manufacturer, to encourage it to be more transparent around its climate lobbying practices.

Insight highlighted that several of Renault's peers have published lobbying reports explaining how they ensure their lobbying is aligned with the Paris Agreement. Renault confirmed it was working on a report which will explain its involvement with lobbying groups but would not cover the company's position on EU legislation, despite recent reporting suggested the company's senior executives opposed the EU's climate standards.

However Renault confirmed that its executive team is not lobbying against the principles of the standard but is asking for some level of flexibility to ensure the standard does not create unintended consequences.

Insight also asked if Renault had process to escalate situations where lobbying groups it is a member of have policy positions that are not aligned with the issuer's net zero goal. Renault confirmed it has recently formed a committee that will discuss topics to understand the best way to deal with misaligned policy positions.

Insight is encouraged that Renault is working on a lobbying report and will review this once available.

Engagement with Electricity Supply Board on diversity, equity and inclusion

In Q3 2024 Insight engaged with Electricity Supply Board, an energy company based in Ireland that conducts energy generation, trading and distribution across the Republic of Ireland and Northern Ireland. Insight engaged with the company on several ESG issues included its diversity, equity and inclusion policies.

Specifically on diversity, equity and inclusion, Insight's engagement was around the company's plans to transition a coal plant into a renewables factory and the company's plans to retrain, upskill and/or provide different employment to the affected employees.

On the back of these discussions, Insight provided recommendations to enhance the company's policies and disclosures.

4. Overview of managers Responsible Investment initiatives

As at 31 March 2025, the following of the Scheme's investment managers were signatories to the UK Stewardship Code 2020: Allianz, ICG, Insight, M&G, Federated Hermes.

As at 31 March 2025, the following of the Scheme's investment managers were signatories to the United Nations' Principles for Responsible Investment: Allianz, ICG, Insight, HPS, M&G, Permira, Federated Hermes.