



Metal Closures Pension Scheme Implementation Report

For the year to 5 April 2022

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

The SIP can be found online at the web address below.

<https://www.isio.com/media/2102/metal-closures-implementation-statement-5-april-2021.pdf>

Implementation Report

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

- actions the Trustee 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
- reporting on the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 5 April 2022 for and on behalf of the Scheme, including the most significant votes cast on its behalf

Summary of key actions undertaken over the Scheme's reporting year

The Trustee made regular disinvestments to meet the Scheme's ongoing cashflow requirements. During the first half of the year, these disinvestments were used to rebalance the Scheme's investment strategy back towards its target. In the second half of the year, following funding level improvements to the point where the Trustee were considering the purchase of a buy-in policy, the Trustee took the opportunity to de-risk the Scheme's investment strategy.

The Trustee made the decision to complete an insurance buy-in with the Pension Insurance Corporation ("PIC"), insuring the majority of the Scheme's liabilities. Whilst this deal occurred shortly after the Scheme's year-end date, the Trustee made several disinvestments between December 2021 and April 2022 including the full redemption of the LF Liontrust UK Equity Fund, formerly Majedie UK Equity Fund. The Trustee also implemented a new mandate in the Insight IIFIG Government Liquidity Fund.

The purpose of these changes was to de-risk the strategy to limit the risk of changes to the Scheme's funding level during the buy-in process, and to hold the Scheme's assets in a liquid fund from which payments could be made to PIC at short notice

Implementation Statement

This report demonstrates that the Trustee of the Metal Closures Pension Scheme has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed:

Position:

Date:

Managing risks and policy actions

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, and the Trustee's policies for managing these risks are outlined in the Scheme's SIP. These policies were updated in September 2019 and are summarised below:

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	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 broadly hedge 100% of these risks.	In Q1 2022 the Trustee decided to restructure the Scheme's Bond portfolio to better align the interest rate and inflation sensitivity with the prospective buy-in policy.
Concentration	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 possible.	
Credit	Default on payments due as part of a financial security contract.	To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	The Trustee appointed Insight Investment management to manage the Scheme's new "cash" fund. This fund's objective is to invest in short dated debt instruments and Insight are expected to manage credit risk as outlined in the Trustee's policy.
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 Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion: <ul style="list-style-type: none"> Responsible Investment ('RI') Policy / Framework Implemented via Investment Process A track record of using engagement and any voting rights to manage ESG factors 	

		<ul style="list-style-type: none"> • ESG specific reporting • UN PRI Signatory 	
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.	The Scheme ensured that the new cash fund was available in a GBP share class.
Longevity	Members of the Scheme living longer than expected, leading to a larger than expected liability.	The Trustee will consider options to insure members' benefits when the options are affordable and available to the Scheme.	After the Scheme's year-end date, the Trustee purchased a buy-in policy, insuring the majority of members' benefits.
Reinvestment Risk	Proceeds from the payment of principal and interest which may be reinvested at a lower rate than the original investment.	The Trustee monitors the Scheme's investments on an ongoing basis and will consider changing the strategy if returns are insufficient to achieve the objectives.	Following the Scheme's year end, the Trustee purchased a buy-in policy covering the majority of members' benefits.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention, or realisation of investments.	

Changes to the SIP

There were no changes to the Scheme's SIP over the year to 5 April 2022.

Following the de-risking process and insurance buy-in that took place post year-end, the SIP is being updated to reflect these changes.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk. The Trustee has not set an ESG policy. The following table sets out the areas where the Trustee and its investment advisor have considered ESG risks in the investment strategy.

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	<p>The Trustee has received training on Environmental, Social and Governance factors and how these can materially impact the Scheme's performance.</p> <p>In addition, the Trustee has received information from their investment advisors on how the Scheme's current investment managers incorporate Environmental, Social and Governance factors into their investment process.</p> <p>The Scheme's investment advisor will periodically monitor and subsequently notify the Trustee if the investment manager's approach to Environmental, Social and Governance factors deviate from their policies and frameworks.</p>	<ul style="list-style-type: none">• Significant changes made to the investment strategy

Engagement

As the Scheme invests via pooled funds, the managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 5 April 2022.

Fund name	Engagement summary	Commentary
Insight Investment UK Corporate Long Maturities Bond Fund	Total engagements: 114	<p>Examples of significant engagements include:</p> <p>DP World – In March 2022, Insight had a 1-2-1 meeting with DP World, sole owner of P&O Ferries, to discuss the sacking of 800 staff without union consultation, following media controversy.</p> <p>Insight were discouraged to hear that DP World did not regret their actions, and were not confident that they wouldn't attempt to bypass laws or recognised processes with the other companies it owns.</p> <p>As a result, Insight placed restrictions on further investments in DP World and continue monitor for improvements in the company's ESG score.</p>
Insight Investment UK Index Linked Bond Fund / UK Government Long Maturities Bond Fund	Insight were unable to provide fund level engagement numbers.	<p>Example of a significant engagement includes:</p> <p>Debt Management Office ("DMO") – In Q2 2021, Insight had a 1-2-1 call with the DMO linked to the SDG 13 – Climate Action. They discussed how the issuance of green gilts is aligned to the wider UK policy and financing to 'build back better'.</p> <p>As a result, Insight rated the Green Gilt as Dark Green and subsequently became the largest investor upon issuance in September 2021.</p>
LF Liontrust UK Equity Fund	<p>Total engagements: 12</p> <p>Engagements by category:</p> <p>Environmental and Climate change issues: 5 Social issues: 6 Governance issues: 2</p>	<p>Examples of significant engagements include:</p> <p>Fever-Tree Drinks – In January 2022, Liontrust met with Fever-Tree's Head of Sustainability, Head of IR and Global Communications Director, following their request in the autumn of 2021 to discuss the group's sustainability programme. They notably discussed the group's strategy to reduce its carbon emissions, its net zero ambition, and how it monitors its supply chain.</p>



Liontrust suggested that the group should make a more direct link between its sustainability work and its key performance indicators, group strategy and employee pay, particularly with regard to carbon emissions.

Newmont - Liontrust had a meeting with the CEO, Tom Palmer, to discuss Newmont's approach to community and government relations, improvements in safety record, and to get some details on the thinking behind their carbon reduction targets.

Liontrust were comforted in their conviction that the company appears to have a productive partnership approach to community relations.

Voting

As the Scheme invests via pooled funds, the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 5 April 2022. The managers also provided examples of any significant votes.

The Scheme's funds with Insight are not included in this section of the report because the funds' investments in Gilts and Corporate Bonds do not grant voting rights to the manager.

Fund name	Voting summary	Examples of significant votes	Commentary
LF Liontrust UK Equity Fund	<p>Votable resolutions: 2,582 Proposals voted: 2,582 For votes: 2,481 Against votes: 98 Abstain votes: 3</p>	<p>AstraZeneca – Liontrust voted against an amendment to the Performance Share Plan which proposed significant increases to variable pay for the second consecutive year. Liontrust felt there was not sufficient rationale to vote in favour of this. The resolution was passed.</p> <p>Ashtead – Liontrust voted for the approval of the new Remuneration Policy. They felt that the remuneration was not excessive and was aligned with shareholder interests. The resolution was passed.</p>	<p>Liontrust is guided by a set of Voting Principles and take voting research and platform services from the Institutional Shareholder Services (“ISS”). Where there is divergence in views between Liontrust and ISS, the relevant Liontrust fund manager will make a decision on how to vote. However, Liontrust voted in line with ISS’s recommendations in 96.2% of its votes.</p>

