



Metal Closures Pension Scheme Implementation Report

For the year to 5 April 2021

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 Metal Closures Pension Scheme (the "Scheme") updated its SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address below and changes to the SIP over the accounting year are detailed on the following page.

http://investor.gualaclosures.com/sites/gualaclosures/files/allegati/signed_sip_and_id.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 2021 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. The Trustee used these disinvestments as an opportunity to rebalance the Scheme's investment strategy back towards its strategic benchmark.

The Trustee invited the Scheme's Equity manager, Majedie, to present at one of its bi-annual meetings. Majedie took this opportunity to provide the Trustee with an update on its ESG approaches and wider investment considerations.

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 consideration including ESG factors and climate change.

Signed: Mike Mann

Position: Chairman

Date: 23 September 2021

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.	
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.	
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 ESG specific reporting UN PRI Signatory 	The Scheme's Equity manager, Majedie, attended a Trustee meeting to provide an update on their portfolio, performance and ESG approach. The Equity mandate with Majedie carries the widest scope for ESG voting and engagement actions.

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.	
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.	The Trustee monitors the Scheme's funding level on a buyout basis at each of the Trustee meetings.
Reinvestment Risk	Proceeds from the payment of principle 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.	
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.	

Key regulatory changes to the SIP

There were no changes to the Scheme's SIP over the year to 5 April 2021.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regarding 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• An increase in the risk levels within the assets managed by the investment managers to a level beyond the Trustee's expectations.• Significant underperformance vs the performance objective over the period that this objective applies.

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 31 March 2020.

The Scheme's Gilt funds with Insight are not included in this section of the report because the funds' investments in Gilts are bought directly on the open market and do not involve any third parties.

Fund name	Engagement summary	Commentary
Insight Investment UK Corporate Long Maturities Bond Fund	<p>Total engagements: 151 across 89 different companies.</p> <p>Engagements by category:</p> <p>Environmental and Climate change issues: 29 Social issues: 26 Governance issues: 27 Other: 69</p>	<p>Examples of significant engagements include:</p> <p>Deutsche Bank – Insight engaged with the bank to gain comfort around enhanced oversight to prevent Anti Money Laundering breaches. Insight recognises that the bank was able to make progress around its compliance systems and passed the US Federal Reserve qualitative stress test assessment.</p> <p>TOTAL – the company provided Insight with further details for their ESG strategy, targets and details on potential ways to achieve them. This allowed Insight to re-assure their view that Total are one of the leaders in energy transition amongst their peers and also provided assistance in how to structure transition bonds in the energy sector.</p>
Majedie UK Equity Fund	<p>Majedie engaged with 21 different companies over a number of different areas.</p>	<p>Examples of significant engagements include:</p> <p>A.P. Moller-Maersk – Majedie met twice with the Danish shipping company in Q1 2021 with the following objectives:</p> <ul style="list-style-type: none"> - To encourage the group to press ahead with finding ways to reduce its carbon emissions - To get a sense from management on the opportunities for Maersk to become more of a logistics provider - To understand how Maersk is managing the volatile demand environment for its services <p>As a result, Maersk has provided clearer disclosures in its sustainability report, including improved coverage of its carbon emissions and energy</p>



transition plans, which Majedie view as a positive step.

Royal Dutch Shell – Majedie’s team spoke with Shell’s Head of Downstream business to hear about how Covid-19 is impacting the group’s business. Shell is reducing the number of its refineries from 45 to 10 by 2025 and will optimise returns from those remaining. Critically it is helping customers globally across industries to decarbonise and will continue to invest in renewable energy projects such as wind farms. Ultimately, Shell will look at investment returns earned across the entire value chain and not just discrete parts such as a wind farm.

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 2021. 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
Majedie UK Equity Fund	<p>Votable resolutions: 2,382 Proposals voted: 2,320 For votes: 2,227 Against votes: 78 Abstain votes: 15</p>	<p>Barclays – Majedie voted against a climate-related shareholder proposal as they noted that the company had tabled its own proposal which Majedie's proxy voting research provider mentioned could create legal uncertainty. Majedie therefore voted in favour of the company proposal and against the shareholder resolution.</p> <p>Ryanair – Majedie voted against a CEO remuneration proposal. A significant bonus equal to 92% of maximum bonus available had been awarded to the CEO for FY2020. Majedie agreed that this payment raised concerns, given the uncertainties facing the company and the airline industry. Furthermore, Majedie noted there was scope for additional disclosures on annual bonus targets and outcomes.</p>	<p>Majedie 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 Majedie and ISS, the relevant Majedie fund manager will make a decision on how to vote. However, Majedie voted in line with ISS's recommendations in 97% of its votes.</p>

