



# Metal Closures Pension Scheme Implementation Report

For the year to 5 April 2023

# 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.gualaclosures.com/sites/default/files/files/allegati/2023-06/metal\\_closures\\_sip\\_2023\\_-\\_online\\_version.pdf](https://www.gualaclosures.com/sites/default/files/files/allegati/2023-06/metal_closures_sip_2023_-_online_version.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 manager with the companies in the investment mandate

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

In April 2022, The Trustee purchased an insurance buy-in policy with the Pension Insurance Corporation ("PIC"), insuring the majority of the Scheme's liabilities. The Trustee also implemented a new mandate in the Insight IIFIG Government Liquidity Fund.

The purpose of these changes was to guarantee pension payments for the Scheme's liabilities that are covered by the insurance policy, and to hold the Scheme's remaining assets in a liquid fund from which ongoing expenses could be funded.

### **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 April 2023 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 April 2023 the Trustee purchased an insurance buy-in policy, which removes all of the interest rate and inflation risk for the liabilities covered by the 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 invested in the Insight IIFIG Government Liquidity Fund which is investment grade and has low/no duration, reducing the Scheme's credit risk.
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"> <li>Responsible Investment ('RI') Policy / Framework</li> <li>Implemented via Investment Process</li> <li>A track record of using engagement and any voting rights to manage ESG factors</li> <li>ESG specific reporting</li> <li>UN PRI Signatory</li> </ul>	

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.	To hedge the majority of this risk through the purchase of the buy-in policy.	In April 2023 the Trustee purchased an insurance buy-in policy, which removes all of the longevity risk for the liabilities covered by the policy.
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.	
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

Following the de-risking process and purchase of an insurance buy-in policy, the Trustee made the following changes to the SIP:

## Policies added to the SIP

Date updated:  
April 2023

### **Voting Policy - How the Trustees expect investment managers to vote on their behalf**

- The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.
- Given the nature of the strategy, the Trustee does not deem it necessary to engage with the insurer on their voting policy.

### **Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'**

- The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.
- There is limited scope for the Trustee to engage with their investment manager given the size and nature of the investment.



# 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"><li>The Trustee has limited scope to engage with the Scheme's investment manager given the nature and size of the investment.</li></ul>

# 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 2023.

Fund name	Engagement summary	Commentary
Insight IIFIG Government Liquidity Fund	<p>Insight have limited capacity to engage given the nature of the Liquidity Fund, and as such do not report engagement data at a fund-level for. The below engagement data is provided at a firm-level.</p> <p>Total engagements: 1178</p> <p>Number of entities engaged: 644</p> <p>Environmental: 902</p> <p>Social: 465</p> <p>Governance: 330</p> <p>Please note one engagement can compromise more than one topic across each company.</p>	<p>Insight engages with issuers on such factors which include, but are not limited to, strategy, capital allocation and competitive positioning. ESG factors can also drive engagement where their analysts believe them to have financial relevance.</p>



# Voting

The Scheme is not invested in any assets that have voting rights.

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