



# Huhtamaki UK Limited Pension and Life Assurance Scheme

August 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 (SIP)

The Scheme has 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 [www.huhtamaki.com/en-gb/foodservice-uk/about-us/huhtamaki-uk-limited-pension-and-life-assurance-scheme/](http://www.huhtamaki.com/en-gb/foodservice-uk/about-us/huhtamaki-uk-limited-pension-and-life-assurance-scheme/). Changes to the SIP over the reporting year are detailed on page 6.

## 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 Trustees have 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
- the extent to which the Trustees have followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies they invest.
- voting behaviour covering the reporting year up to 31 March 2022 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

## Summary of key actions undertaken over the Scheme reporting year

In March 2022, the investment objective of the Scheme was reduced from 2.80% to 2.50% per annum above the return on UK Government bonds. The strategic asset allocation to Liability Driven Investment increased and the allocation to Global Passive Equity, Diversified Growth, and Property decreased.

### **Implementation Statement**

This report demonstrates that the Huhtamaki UK Limited Pension and Life Assurance Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

**Signed**     **Phil Duddington**

**Position**   **On behalf of the Trustees of the Scheme**

**Date**        **6 October 2022**

# Managing risks and policy actions DB

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 the funding level of the Scheme.	There have been no changes to policy over the reporting year.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI.	There have been no changes to policy over the reporting year.
Market	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 practicable.	There have been no changes to policy over the reporting year.
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.	There have been no changes to policy over the reporting year.
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.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> <li>1. Responsible Investment ('RI') Policy / Framework</li> <li>2. Implemented via Investment Process</li> <li>3. A track record of using engagement and any voting rights to manage ESG factors</li> <li>4. ESG specific reporting</li> </ol>	<p>ESG actions undertaken:</p> <ul style="list-style-type: none"> <li>• The managers' ESG policies were reviewed and presented to the Trustees in an ESG Manager Summaries report. The Trustees received an Impact Assessment report in June 2022 that contained a review of all the managers' ESG policies.</li> <li>• The Trustees receive an annual Progress Report that details the</li> </ul>

	<p>5. UN PRI Signatory</p> <p>The Trustees monitor the managers on an ongoing basis.</p> <p>managers' progress in relation to actions raised within the Impact Assessment Report.</p> <p>More details of the ESG policy and how it was implemented are presented later in this report.</p>		
	Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	<p>Hedge all currency risk on all assets that deliver a return through contractual income.</p> <p>There have been no changes to policy over the reporting year.</p>

# Changes to the SIP

## Changes to the SIP

Date updated: March 2022

### Reduction of Scheme Investment Objective

- The investment objective of the Scheme was reduced from 2.80% to 2.50% per annum above the return on UK Government bonds.

# 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. This page details how the Scheme's ESG policy is implemented, while the following pages outlines Isio's assessment criteria as well as the ESG beliefs used in evaluating the Scheme's managers' ESG policies and procedures. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

The below table outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustees intend to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

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	<ul style="list-style-type: none"><li>• Through the manager selection process ESG considerations will form part of the evaluation criteria</li><li>• The Scheme's investment advisor Isio will monitor managers' ESG policies on an ongoing basis</li></ul>	<ul style="list-style-type: none"><li>• The manager has not acted in accordance with their policies and frameworks.</li></ul>

## Areas of assessment and ESG beliefs

<b>Risk Management</b>	<ol style="list-style-type: none"> <li>1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Scheme</li> <li>2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustees</li> </ol>
<b>Approach / Framework</b>	<ol style="list-style-type: none"> <li>3. The Trustees should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager.</li> <li>4. ESG factors are relevant to investment decisions in all asset classes.</li> <li>5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.</li> </ol>
<b>Reporting &amp; Monitoring</b>	<ol style="list-style-type: none"> <li>6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important.</li> <li>7. ESG factors are dynamic and continually evolving; therefore, the Trustees will receive training as required to develop their knowledge.</li> <li>8. The role of the Scheme's asset managers is prevalent in integrating ESG factors; the Trustees will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.</li> </ol>
<b>Voting &amp; Engagement</b>	<ol style="list-style-type: none"> <li>9. The Trustees will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach.</li> <li>10. Engaging is more effective in seeking to initiate change than disinvesting.</li> </ol>
<b>Collaboration</b>	<ol style="list-style-type: none"> <li>11. Asset managers should sign up and comply with common codes and practices such as the UNPRI &amp; Stewardship code. If they do not sign up, they should have a valid reason why.</li> <li>12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.</li> </ol>



# ESG summary and actions with the investment managers

Manager and Fund	ESG Summary	Actions identified	Engagement Details
<b>BlackRock Investment Management (UK)Limited,</b>  Aquila Life Equity Fund  Aquila Life Currency Hedged World ex-UK Equity Index Fund	<p>The BlackRock passive equity range is constrained in respect to directly incorporating ESG integration to the investment process due to the nature of index-tracking mandates. However, at a firm level, a key focus is a commitment to the climate transition framework by developing sustainable investment solutions. We view the link between stewardship priorities and implementation through ongoing engagement to not be fully clear. There are also improvements to be made in carbon and ESG metric reporting across their fund range.</p>	<ul style="list-style-type: none"> <li>BlackRock to improve the scope of carbon reporting, and clearly break down ESG risk metrics.</li> <li>BlackRock to provide a clearer link between stewardship priorities and engagement.</li> </ul>	<p>Isio engaged with BlackRock in Q3 2021 on the Trustees' behalf to review their ESG policies and set actions and priorities for each manager.</p>
<b>Ruffer</b>  Total Return Fund	<p>Overall, Ruffer have an integrated and proactive approach to ESG. They have recently internally agreed to sign up to the Net Zero Asset Manager Initiative and will therefore be reviewing the Fund's route to Net Zero over time.</p>	<ul style="list-style-type: none"> <li>Ruffer to improve diversity reporting, Ruffer have acknowledged this and are working to improve on this area.</li> <li>Ruffer to expand quarterly client reporting capabilities to include more insightful ESG information.</li> <li>Ruffer to make use of official an ESG scorecard in the Investment approach when assessing ESG metrics.</li> </ul>	<p>Isio engaged with Ruffer in Q3 2021 on the Trustees' behalf to review their ESG policies and set actions and priorities for each manager.</p>

<p><b>Threadneedle Investment</b></p> <p>TPEN Property Fund</p>	<p>TPEN incorporate ESG factors into their investment process thoroughly with quantitative objectives, effective engagement with tenants, while also collaborating with other market participants and the wider community. TPEN are in the process of developing a net zero pathway plan for the Fund and would benefit from continuing efforts to enhance climate policies, reporting and engagement data disclosure</p>	<ul style="list-style-type: none"> <li>• TPEN to provide quantitative data to satisfy implementation statement requirements.</li> <li>• TPEN to begin detailing engagement data in quarterly reporting and continue efforts to report in line with Taskforce for Climate related Financial Disclosures requirements.</li> <li>• TEPN to consider implementing ESG scoring for each asset and overall portfolio. Provide update on development on net zero pathway plans</li> </ul>	<p>Isio engaged with Threadneedle in Q3 2021 on the Trustees' behalf to review their ESG policies and set actions and priorities for each manager.</p>
<p><b>Alcentra Limited</b></p> <p>Alcentra European Direct Lending Fund II</p> <p>Alcentra European Direct Lending Fund III</p>	<p>Alcentra have made several positive developments over the past 12 months through measures such as the development of a quantitative ESG scorecard, the issuance of engagement questionnaires to portfolio companies, and their plans to introduce a quarterly ESG report. Changes to their investment process for deals are likely to largely benefit future EDL vintages most however given that the existing EDL funds are largely fully invested.</p>	<ul style="list-style-type: none"> <li>• Alcentra to develop an independent ESG team to coordinate ESG integration across the EDL Funds.</li> <li>• Alcentra to provide Fund-level engagement data and start to provide investors with regular reporting on ESG metrics at Fund level.</li> <li>• Alcentra to set ESG priorities at firm level and Fund level.</li> </ul>	<p>Isio engaged with Alcentra in Q3 2021 on the Trustees' behalf to review their ESG policies and set actions and priorities for each manager.</p>
<p><b>Insight Investment Management</b></p> <p>Partially Funded Gilt Fund</p> <p>GBP Liquidity Plus Fund</p>	<p>Insight have demonstrated a comprehensive selection and monitoring process for assessing ESG risks in counterparties. Insight's engagement record with a wider range of market participants is particularly impressive.</p>	<ul style="list-style-type: none"> <li>• Insight to consider developing internal diversity targets, focused not just on gender but also race.</li> <li>• Insight to consider greater emphasis on D&amp;I issues in assessing companies / counterparties.</li> <li>• Insight to consider the inclusion of an engagement summary in regular reporting.</li> </ul>	<p>Isio engaged with Insight in Q3 2021 on the Trustees' behalf to review their ESG policies and set actions and priorities for each manager.</p>

# Engagement

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12 month period to the end of the Scheme's reporting year up to 31 March 2022.

Fund name	Engagement summary	Commentary
BlackRock Aquila Life UK Equity Fund	<p><b>Total engagements:</b> 4,484</p> <p>Environmental: 2,984</p>	<p>The BlackRock Investment Stewardship Team carries out all engagement activities. The team engages across all funds at an issuer level thereby leveraging all the capital at their disposal to maximise engagement effectiveness.</p>
BlackRock Aquila Life Currency Hedged World ex-UK Equity Index Fund	<p>Social: 1,719</p> <p>Governance: 3,929</p> <p>Note that the sum of the themes is equal to more than the total engagements as a single engagement often covered more than one theme.</p>	<p>Example of significant engagement:</p> <p><b>Samsung Electronics Co., Ltd. (Samsung)</b>– BlackRock has on-going engagements with Samsung. Following the South Korean government's announcement regarding its commitment to achieve carbon neutrality by 2050, many companies have publicly released their own carbon neutrality targets that align with this ambition. With Samsung lacking a carbon neutrality goal, BlackRock has sought to better understand and assess the company's plans to publish an update to its climate strategy. BlackRock note that carbon-intensive companies acting early to anticipate and mitigate climate and sustainability risks can be better positioned to capture growth opportunities through a period of significant industry transition.</p>
Ruffer Total Return Fund	<p><b>Total Engagements:</b> 23</p> <p>Environmental: 16</p> <p>Social: 6</p> <p>Governance: 21</p> <p>Note that the sum of the themes is equal to more than the total engagements as a single engagement often covered more than one theme.</p>	<p>As a Diversified Growth Fund, Ruffer holds both equity and bond assets. It aims to engage on ESG issues across its portfolio.</p> <p>Example of significant engagement:</p> <p><b>Barclays Plc</b> – During Q3, Ruffer held a meeting with the Chair of the Board, in which management acknowledged the need for more detailed greenhouse gas emissions data and targets across sectors covered by its financing portfolios. Ruffer held a call with Barclays in Q4 to receive an update on Barclays' progress on its climate change policies. Since these engagements, significant progress has been made in the two highest emitting sectors, energy and power, including the setting of 2025 targets, both of which Barclays are on track to achieve.</p>

<p><b>Threadneedle TPEN Property Fund</b></p>	<p><b>Total Engagements: 238</b></p> <p>Environmental: 151</p> <p>Social: 143</p> <p>Governance: 220</p> <p>Note that the sum of the themes is equal to more than the total engagements as a single engagement often covered more than one theme.</p>	<p>Real estate assets are exposed to a variety of climate and energy related risks. Threadneedle's management team believes that all property owners and managers have an ongoing duty to manage their assets in a responsible manner for the best interests of clients and society.</p> <p>Example of significant engagement:</p> <p><b>Tenant Engagement in Wellington, Wimbledon:</b></p> <p>Consultation with the local community during the pre-application process raised concerns over the ground floor use due to the school opposite the premises, which resulted in a voluntary exclusion of fast food users from the scheme. As part of the planning application, TPEN offered to incorporate a public amenity square at the corner of the site, holding regular meetings with local community groups to listen and react to concerns. Working with Community and Planning departments, the original designs were amended to remove the proposed fifth floor and reduce the number of car parking spaces from 24 to eight, reducing car usage and associated carbon emissions in Wimbledon town centre. The scheme has been rated BREEAM 'Very Good' and delivered a significantly improved EPC rating of B (from a previous rating of E) demonstrating improvements in energy and water use, health and wellbeing, pollution, transport, materials, waste, ecology and management processes.</p>
<p><b>Alcentra European Lending Fund II</b></p> <p><b>Alcentra European Lending Fund III</b></p>	<p><b>Total engagements (Q1 2022): 196</b></p> <p>Over the year to March 2022, Alcentra have implemented an engagement tracker. The data provided only covers Q1 2022.</p>	<p>Alcentra has engaged with each of its borrowers on a full range of ESG topics. They send out an annual engagement questionnaire which enables them to understand borrowers' approach to managing ESG risks (policies in place, priorities, initiatives, etc.) and measure engagement and progress through qualitative and quantitative metrics.</p> <p><b>European Chemicals Conglomerate:</b></p> <p>Alcentra engaged with the company to better understand their long-term climate strategy and their management of hazardous chemicals. The Head of IR and the Group Technology Director provided assurance that hazardous chemicals are not a material business for the group. The company has identified their plans to phase out fluorinated chemicals that may be restricted or banned in the future. Further, the company recently announced a number of low-carbon projects in Europe, including green hydrogen and CCS investments, which will assist in their GHG emission reduction efforts, with a goal of reaching net zero emissions by 2050.</p>
<p><b>Insight Partially Funded Gilt Fund</b></p> <p><b>Insight Liquidity Plus Fund (GBP)</b></p>	<p><b>Total Engagements: 43</b></p> <p>Environmental: 1</p> <p>Social: 3</p> <p>Governance: 41</p>	<p>When identifying material ESG risks, Insight engage with issuers to understand the issues and exert influence on behalf of clients to encourage change. Some issues are too big to tackle alone, in which case Insight may collaborate with other stakeholders.</p> <p>Example of significant engagement:</p> <p><b>UK Debt Management Office –</b> Insight continues to have discussions with the DMO in relation to the issuance of Green Gilts. Talks are ongoing and Insight are working collaboratively with the DMO to provide an input framework</p>



for the prospective issuances and share views from their clients.

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# Voting (for equity/multi asset funds only)

As the Scheme invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2022. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
BlackRock Aquila Life UK Equity Fund	Voteable Proposals: 39,637	<b>Johnson &amp; Johnson</b> – The shareholders requested the company to conduct and publish a third-party audit to review its diversity, equity and inclusion strategy. BlackRock voted in favour of this proposal as it would reinforce the effectiveness of the company's current programmes to advance racial equity.	BlackRock's proxy voting process is led by the BlackRock Investment Stewardship Team (BIS) which consists of regional teams. BlackRock use Institutional Shareholder Services (ISS), an electronic platform, to access voting research and to execute their vote instructions.
BlackRock Aquila Life Currency Hedged World ex-UK Equity Index Fund	Votes For: 36,673 Votes Against: 2,907 Votes Abstained: 416  Figures may not sum to total due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.	<b>Fiat Chrysler Automobiles N.V. (FCA) and Peugeot S.A. –</b>  At the April 2021 AGM of Stellantis N.V. – the Dutch company formed through the merger of Fiat Chrysler Automobiles N.V. (FCA) and Peugeot S.A. <sup>1</sup> BIS did not support the remuneration report, which received 55.8% shareholder support. BIS also did not support the approval of the board discharge. BIS had concerns with the legacy FCA Board's use of discretion to make in-flight adjustments to lower the bonus targets because of COVID-19, which resulted in executives receiving a higher bonus payout in 2020 relative to 2019 for lesser performance. As described in BIS' proxy voting guidelines for EMEA securities, BIS will not support relevant remuneration proposals and/or the election of remuneration committee members in instances where a board of	BlackRock votes at approximately 16,000 shareholder meetings each year but aims to engage with the company in the first instance to give management time to address the issue. BlackRock is not afraid to vote against companies where they believe the Board or management have not acted in the interests of long-term investors.

		<p>directors decides to make retrospective/in-flight changes to performance criteria and disclosures are insufficient to demonstrate a connection between remuneration outcomes and company performance.</p>	
<b>Ruffer Total Return Fund</b>	<p>Voteable Proposals: 1,425</p> <p>Votes for: 1,325</p> <p>Votes against: 90</p> <p>Votes Abstained: 11</p> <p>Figures may not sum to total due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.</p>	<p><b>Royal Dutch Shell –</b></p> <p>Ruffer supported Royal Dutch Shell's first Energy Transition Strategy plan. The decision was made in the context of the progress Shell has made because of engagement, and the commitment of the company leadership to continue to meaningfully engage on the remaining areas of Climate Action 100+. The management resolution gained support of 88.7% of its shareholder base. Ruffer are committing to continued engagement with the company to work on details of the company's transition plans to ensure absolute emission equivalent targets sit alongside short- and medium-term intensity targets, and the need for further alignment on capital expenditure. In light of the opportunity to vote on the company's transition strategy and the progress made, Ruffer did not see a need to vote in favour of the shareholder proposal filed by the NGO Follow This.</p> <p><b>Aena –</b></p> <p>Ruffer supported the company's 2021-2023 climate action plan due to the belief that climate change-related risks may be significant for the long-term performance of Aena and should be taken into consideration. This followed their support for the shareholder resolution brought forward in 2020 requesting the company to submit climate transition plans to advisory vote at its 2021 AGM and provide updates to its plan on an annual basis from 2022. The resolution passed with 95.7% votes in favour.</p>	<p>It is Ruffer's policy to vote on Annual General Meeting and Extraordinary General Meeting resolutions, including shareholder resolutions, as well as corporate actions. Ruffer work with various industry standards, organisations and initiatives and actively participate in debates within the industry.</p> <p>Ruffer receives proxy voting research from Institutional Shareholder Services (SS) to help inform voting decisions.</p>

