

Implementation statement



Huhtamaki UK Limited Pension and Life Assurance Scheme

July 2023

isio.

Document classification: Confidential

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Regulations also require that the Trustees detail the Scheme's policies in their Statement of Investment Principles (SIP) and demonstrate their adherence to these policies in an Implementation Report.

Statement of Investment Principles (SIP)

The Scheme has updated its SIP post yearend in response to the DWP regulation to cover:

- policies on the stewardship of the investments, including voting and engagement policies which set out how the Trustees engage with managers about 'relevant matters' and expect investment managers to vote on their behalf.

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/. 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 2023 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

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Summary of key actions undertaken over the Scheme reporting year

During the period of volatility in gilt markets following the 23 September 2022 UK Government 'mini budget' policy announcements and the subsequent Bank of England market interventions, the Scheme made numerous investments to the Insight LDI portfolio to fund recapitalisation events (by disinvesting from Equity and DGF funds).

Following this period of volatility, the asset weightings were out of line in comparison to the Strategic Benchmark allocations, however importantly the LDI hedging was retained throughout the period.

In March 2023, the Trustees reviewed the strategic asset allocation and made a decision to reduce the overall risk within the portfolio and increase the allocation to the LDI portfolio, as a higher allocation was required to achieve the same hedge level due to lower leverage being deployed in the LDI funds. The Scheme's investment objective was reduced from 2.50% to 1.80% per annum above the return on UK Government bonds

A decision was also made to introduce the Insight Global Asset Backed Securities (ABS) Fund to create an efficient waterfall structure and provide adequate liquidity for future LDI recapitalisation events.

The implementation of these changes, and the subsequent update of the Scheme Investment Implementation Document (IID), occurred after this reporting period.

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 P Duddington

Position Trustee

Date 05 October 2023

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.	In March 2023, the Trustees reviewed the strategic allocation and decided to incorporate a liquid credit asset class (ABS) alongside the LDI mandate at Insight. This will create an efficient waterfall structure for any capital calls and distributions.
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.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting	ESG actions undertaken: <ul style="list-style-type: none"> 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 2023 that contained a review of all the managers' ESG policies

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		<p>rights to manage ESG factors</p> <p>4. ESG specific reporting</p> <p>5. UN PRI Signatory</p> <p>6. UK Stewardship Code Signatory (added post yearend)</p> <p>The Trustees monitor the mangers on an ongoing basis.</p>	<ul style="list-style-type: none"> The Trustees received an annual Progress Report that details the managers' progress in relation to actions raised within the Impact Assessment Report. The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf. The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf. The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually. <p>More details of the ESG policy and how it was implemented are presented later in this report.</p>
<p>Currency</p>	<p>The potential for adverse currency movements to have an impact on the Scheme's investments.</p>	<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: [month] 2023	
Reduction of Scheme Investment Objective	<ul style="list-style-type: none">The investment objective of the Scheme was reduced from 2.50% to 1.80% per annum above the return on UK Government bonds.
Monitoring engagement with regards to the Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none">The Trustees will engage, via their investment advisers, with investment managers and/or other relevant persons about relevant matters at least annually.

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

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Areas of assessment and ESG beliefs

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

ESG summary and actions with the investment managers

Manager and Fund	ESG Summary	Actions identified	Engagement Details
<p>BlackRock Investment Management (UK)Limited,</p> <p>Aquila Life Equity Fund</p> <p>Aquila Life Currency Hedged World ex-UK Equity Index Fund</p>	<p>The BlackRock passive equity range is constrained in respect to directly incorporating ESG integration within the investment process due to the nature of index-tracking mandates. However at an overall firm level, a key focus for BlackRock is the climate change transition framework through their firm level commitment to Net Zero by 2050. BlackRock's link between stewardship priorities and engagement on these specific priorities is unclear. We believe that BlackRock should consider improving their capabilities on regular ESG reporting at a fund level.</p>	<ul style="list-style-type: none"> BlackRock to demonstrate how the strategy aligns with a temperature pathway. BlackRock to show a clearer link between stewardship priorities and engagement reporting. BlackRock to provide reporting of ESG metrics for the portfolio on a regular basis. 	<p>Isio engaged with BlackRock in Q3 2022 on the Trustees' behalf to review their ESG policies and set actions and priorities for each manager.</p>
<p>Ruffer</p> <p>Total Return Fund</p>	<p>Ruffer have a robust process in place where ESG considerations are clearly factored in as an important part of the investment process. Their Responsible Investing Team and ESG specialists ensure oversight, accountability and implementation of 'up and coming' issues. The funds engagement with firmwide ESG policies is a key strength where climate and social policies are concerned.</p>	<ul style="list-style-type: none"> Ruffer to develop an ESG scorecard as part of due diligence. Ruffer to consider developing a fund specific target with temperature pathway. Ruffer to produce fund level stewardship priorities, unique from firm wide policies. Ruffer to provide an ESG rating or score for assets held within the mandate. 	<p>Isio engaged with Ruffer in Q3 2022 on the Trustees' behalf to review their ESG policies and set actions and priorities for each manager.</p>

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<p>Threadneedle Investment</p> <p>TPEN Property Fund</p>	<p>Threadneedle have evidenced incorporation of ESG factors into their investment process through priorities at a firm level and quantitative objectives. Threadneedle has a building-specific policy on stewardship. We reviewed case study examples of engagements made with tenants of properties held within the Fund. The manager would benefit from a clearer escalation process. Threadneedle has a clear pathway for the Fund towards achieving net zero carbon emissions.</p>	<ul style="list-style-type: none"> • TPEN to utilise an ESG scorecard during the due diligence process. • TPEN to outline the escalation process from a governance perspective and detail how this is being followed as part of asset management. • TPEN to consider a scorecard approach with E, S, and G scores for assets in the mandate, including social metrics. 	<p>Isio engaged with Threadneedle in Q3 2022 on the Trustees' behalf to review their ESG policies and set actions and priorities for each manager.</p>
<p>Alcentra Limited</p> <p>Alcentra European Direct Lending Fund II</p> <p>Alcentra European Direct Lending Fund III</p>	<p>Alcentra have a Responsible Investment Team who review the output of the quantitative ESG Scorecard and help to integrate ESG into the Funds. ESG metrics are incorporated into Alcentra's quarterly reports and over the previous 12 months have introduced dedicated ESG reports.</p> <p>As the existing EDL funds are fully invested, any future ESG improvements are most likely to be focused on enhanced engagement and stewardship priorities.</p>	<ul style="list-style-type: none"> • Alcentra to set fund-level ESG priorities and introduce fund-level ESG policies. • Alcentra to introduce engagement / stewardship objectives and milestones for portfolio companies and provide fund-level engagement data • Alcentra to consider adopting a firm-wide net zero commitment and climate policy. 	<p>Isio engaged with Alcentra in Q3 2022 on the Trustees' behalf to review their ESG policies and set actions and priorities for each manager.</p>
<p>Insight Investment Management</p> <p>Partially Funded Gilt Fund</p> <p>GBP Liquidity Plus Fund</p>	<p>Insight have a robust ESG scoring system for the counterparties they deal with. Insight have made improvements to their counterparty engagement process with the aim of achieving a greater level of impact in their engagements with counterparties.</p>	<ul style="list-style-type: none"> • Insight to consider developing internal diversity targets, focussed not just on gender but also race. • Insight to consider greater emphasis on D&I issues in assessing companies/counterparties. • Insight to consider the inclusion of an engagement summary in regular reporting. • Insight to consider key KPIs and milestones for engagement. 	<p>Isio engaged with Insight in Q3 2022 on the Trustees' behalf to review their ESG policies and set actions and priorities for each manager.</p>

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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 2023.

Fund name	Engagement summary	Commentary
BlackRock Aquila Life UK Equity Fund	<p>Total engagements: 4,915</p> <p>Environmental: 2,505</p>	<p>The BlackRock Investment Stewardship Team 'BIS' 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: 2,042</p> <p>Governance: 4,428</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>Shell Plc - BlackRock has engaged regularly with Shell over the last several years to discuss a range of corporate governance and sustainable business matters that they believe contribute to a company's ability to deliver durable, long term shareholder returns that clients depend on to meet their financial goals. As a result of this, BIS engages with company management and, where they have authority to do so, votes proxies in the economic interests of clients. An example of this was their vote on a resolution to approve the Shell Energy Transition Progress Update (a Management proposal). BIS supported this proposal in recognition of Shell's disclosed energy transition plan to manage climate-related risks and opportunities and the company's progress against this strategy.</p>
Ruffer Total Return Fund	<p>Total Engagements: 15</p> <p>Environmental: 4</p> <p>Social: 5</p> <p>Governance: 7</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>COTY Inc – COTY is a global beauty company making cosmetic, skin, fragrance and hair brands. Previously, Ruffer had emphasised the importance of having a Board member accountable for sustainability, so they were pleased to hear that the Board is providing oversight to the sustainability strategy at the follow-up meeting. The firmwide focus on sustainability has been reinforced through the hiring of a new chief scientific officer and sustainability leader, as well as a new chief supply officer. Separate to this, Ruffer has had continuing discussions with COTY on compensation, disclosures and relationships with ESG ratings agencies. COTY has already surpassed its 2030 Scope 1 and 2 reduction target. Overall, Ruffer are pleased by the</p>

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		achievements on each of those fronts and continue to encourage progress in this space.
Threadneedle TPEN Property Fund	<p>Total Engagements: 357</p> <p>Environmental: 289</p> <p>Social: 245</p> <p>Governance: 139</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>Tenant Engagement – The Forge, London:</p> <p>Threadneedle held an event where a local primary school had a guided tour of the building, to learn about its history and different crafts of small businesses. This raised awareness on local businesses and craftsmanship increasing their footprint and promoted local shopping to reduce carbon emissions.</p>
Alcentra European Lending Fund II Alcentra European Lending Fund III	<p>Total engagements : 93</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>Example of significant engagement:</p> <p>Engagement with Childcare provider:</p> <p>Alcentra engaged with a Childcare provider to better understand the safety trainings and initiatives for their staff, alongside insight into the issues surrounding staff shortages. Additional engagement sought to better understand how the company ensures safeguarding of children – particularly with an inquiry into the staff selection process and appropriate carer-to-child ratios.</p>
Insight Partially Funded Gilt Fund Insight Liquidity Plus Fund (GBP)	<p>Total Engagements: 54</p> <p>Environmental: 41</p> <p>Social: 38</p> <p>Governance: 21</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>Heathrow Airport – In 2022, Insight engaged with Heathrow Airport on their climate action plan. In 1Q 2023, Heathrow received approval from the Science Based Targets Initiative (SBTi) for their 2030 carbon reduction targets, confirming they are consistent with a 1.5 degree trajectory. Heathrow is the first airport to achieve this status with SBTi's updated 1.5 degree standard.</p>

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 2023. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
BlackRock Aquila Life UK Equity Fund BlackRock Aquila Life Currency Hedged World ex-UK Equity Index Fund	Voteable Proposals: 42,597 Votes For: 37,395 Votes Against: 2,533 Votes Abstained: 375 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.	Alphabet, Inc – The shareholders requested that Google annually report, at reasonable cost, quantitative water-related metrics by location, including data centres, and for each location, practices implemented to reduce climate – related water risk. BIS supported this shareholder proposal because, in their assessment, shareholders would benefit from more information on the company's approach to water dependencies and impact.	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 votes at approximately 18,000 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.
Ruffer Total Return Fund	Voteable Proposals: 1,496 Votes for: 1,263 Votes against: 64 Votes Abstained: 6 Figures may not sum to total due to a variety of reasons, such as lack of management recommendation, scenarios where an	Equinor ASA – Ruffer voted 'for' the approval of Equinor's transition plan. This was because they are supportive of their efforts to decarbonise. Ruffer say Equinor are at the forefront of offshore wind developments, and they have been impressed by their business success in that area. Ruffer have engaged with the company and discussed their	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.

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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.

plan to disagree with ISS's assessment. Equinor have been one of few companies who have been profitable in aiming to decarbonise and Ruffer will support that and continue to monitor how the company progresses and improves over time.

Ruffer receives proxy voting research from Institutional Shareholder Services (ISS) to help inform voting decisions.

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