

The Metal Box Pension Scheme

**Annual Implementation
Statement – Scheme year
ending 31 March 2021**

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1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Metal Box Pension Scheme (“the Scheme”) covering the scheme year (“the year”) to 31 March 2021.

The purpose of this statement is to:

- Set out how, and the extent to which, in the opinion of the trustees, the Scheme’s engagement policy (required under regulation 2(3)(c) of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed an Investment Advisor, Towers Watson Limited (trading as Willis Towers Watson or WTW), to advise on the Scheme’s DB assets. So far as is practicable, the Investment Advisor considers the policies and principles set out in the Trustee’s SIP.

A copy of this implementation statement has been made available on the following website: <https://www.metalboxpensions.co.uk/db/documents>

2. Voting and engagement

The Trustee has delegated the day-to-day Environmental, Social and Governance (“ESG”) integration and stewardship activities (including voting and engagement) to its investment managers. However, to monitor how the Scheme’s investment managers integrate ESG and undertake stewardship activities on the Trustee’s behalf, the Trustee undertakes an Annual Sustainable Investment review.

Consistent with the Trustee’s view that ESG factors can have a significant impact on investment returns, particularly over the long-term, the Investment Advisor believes that sustainable investment (SI) forms the cornerstone of successful long-term investment and has fully embedded the consideration of ESG factors in its processes.

The Investment Advisor’s process for recommending and monitoring managers explicitly and formally includes an assessment of a manager’s approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Investment Advisor engages with investment managers to improve their processes.

The Investment Advisor produces detailed reports on the ESG and Stewardship characteristics of the portfolio on an annual basis. These reports form part of the Trustee’s ongoing portfolio monitoring. The Trustee last reviewed these reports at its meeting in August 2020. The reporting is made up of both qualitative and quantitative metrics regarding the portfolio, including the portfolio’s impact on climate change.

The policies and processes described above have impacted the Scheme’s investments in numerous ways. At the latest ESG and Stewardship review it was found that:

- The vast majority of the Scheme’s asset managers are operating to a neutral or strong standard. The Investment Advisor is directly engaging with those that scored poorly to encourage improvements. Should insufficient progress be made on making improvements, the manager’s place in the portfolio will come under review.

- Overall, the Scheme's portfolio sustainability impact was found to be fair to positive and areas for improvement were identified.

Company level engagement and rights attached to investments (including voting):

The day-to-day integration of ESG considerations and stewardship activities (including voting and engagement) are delegated to the Scheme's investment managers.

Through the engagement undertaken by the Investment Advisor, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Investment Advisor considers the investment managers' policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the appointment of a new manager and on an ongoing basis. The Investment Advisor engages with managers to improve their practices and may recommend the termination of a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity managers, or managers who own a significant amount of equity such as REITs, listed infrastructure as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of "significant votes", the top three have been shown below.

Further information on the voting and engagement activities of the managers is provided in the table below.

The Scheme's equity holdings at time of the 31 March 2021 Trustee Report & Accounts, are invested across three pooled funds:

- Towers Watson Investment Management (TWIM) Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in number of underlying managers
- Legal and General Investment Management Heitman Global Prime Property Securities – a passive global equity fund focussed on equity related to prime properties
- Legal and General Investment Management (LGIM) Infrastructure Equity MFG Fund – a passive global equity fund focusses on equity related to infrastructure companies

For the active funds, the Trustee has decided not to publicly disclose investment manager names. This decision relates to the underlying investment managers in the TWIM. Given the nature of these investments, the Trustee believes that publicly disclosing the names of the Scheme's investment managers could impact the investment manager's ability to generate the best investment outcome for the Scheme and ultimately, the Scheme's members.

The Investment Advisor's view is that LGIM continues to demonstrate good / leading practice vs. peers, in particular in their willingness to take visible stances on topics they believe important. This is supported by an effective approach to conflict management, high transparency and effective communications. The Investment Advisor continues to engage with LGIM on the level of stewardship team resourcing, in particular given breadth / depth of coverage and rapid growth in AUM, as well as pushing for better / more effective fixed income engagement.

Towers Watson Investment Limited - Towers Watson Global Equity Focus Fund

Voting activity	Number of votes eligible to cast: 2921 Percentage of eligible votes cast: 99% Percentage of votes with management 90%: Percentage of votes against management: 10% Percentage of votes abstained from:0%			
Most significant votes cast	Company	Citigroup	Cigna Corporation	Cigna Corporation
	Size of holdings	0.8%	1.6%	1.6%
	Resolution	Report on Lobbying Payments & Policy	Report on Gender Pay Gap	Reduce Ownership Threshold for Shareholders to Call Special Meeting
	Decision /Vote	For	For	For
	Rationale for decision	We are against any form of political payments.	We believe the disclosures requested would be very low cost to for the company to produce and that shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives, with significant benefits for the company related to employee and customer satisfaction as it would demonstrate that the company took the concerns seriously.	Shareholder proposal promotes enhanced shareholder rights
	Rationale for classifying as significant	Large holding in portfolio	We believe it was significant both given our firmwide shareholding (as a percentage of outstanding shares) and our engagement efforts.	We believe it was significant both given our firmwide shareholding (as a percentage of outstanding shares) and our engagement efforts.
Use of proxy voting	The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation.			

Legal and General Investment Management - Heitman Global Prime Property Securities Fund

Voting activity	<p>Number of votes eligible to cast: 1223</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management 84%:</p> <p>Percentage of votes against management: 16%</p> <p>Percentage of votes abstained from: 0%</p>
Most significant votes cast	<p>There were no significant votes made in relation to the securities held by this fund during the reporting period.</p>
Use of proxy voting	<p>LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.</p> <p>To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.</p> <p>We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.</p>

Legal and General Investment Management - Infrastructure Equity MFG Fund

Voting activity	<p>Number of votes eligible to cast: 1158</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management 85%:</p> <p>Percentage of votes against management: 15%</p> <p>Percentage of votes abstained from:0%</p>
Most significant votes cast	<p>There were no significant votes made in relation to the securities held by this fund during the reporting period.</p>

<p>Use of proxy voting</p>	<p>LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.</p> <p>To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.</p> <p>We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.</p>
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Industry wide / public policy engagement:

As mentioned in the SIP, the Investment Advisor has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Investment Advisor represents client policies/sentiment to EOS via the Client Advisory Council, of which WTW are currently the chair. Engagement activities by EOS on public policy over the year included:

- 52 consultation responses or proactive equivalents (such as a letter), and 173 discussions held with relevant regulators and stakeholders during 2020;
- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, where EOS lead or co-lead 30 engagements and support another 14;
- Working closely with the Principles for Responsible Investment ('PRI'), including leading the engagement with Vale on tailings dam failure, and actively involved in other groups, including cyber risk, water stress, cattle deforestation, palm oil, plastics, cobalt and tax;
- Close collaboration with significant investor initiatives including Investors for Opioid & Pharmaceutical Accountability, Investor Alliance for Human Rights, Plastics Solutions Investor Alliance, 30% Club, and Investor Initiative on Mining & Tailings Safety.

The Investment Advisor is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Being a Tier 1 signatory of the 2012 UK Stewardship Code and submitting its first annual report to the 2020 UK Stewardship Code;
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee;
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC);
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);

- Co-founding the Investment Consultants Sustainability Working Group;
- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

3. Conclusion

The Trustee considers that all SIP policies and principles were adhered to during the year.