



# Greencore UK Defined Benefit Scheme Implementation Statement

12 months to 31 March 2024

# 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.

## Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address <https://schemedocs.com/greencore-uk-statement-investment-principles.html>  
Changes to the SIP are detailed on the following page.

The Implementation Report details:

- actions the Scheme 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.
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate.
- voting behaviour covering the reporting year up to 31 March 2024 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

- Over the year to 31 March 2024, the Trustee implemented several changes to the Scheme's investment strategy.
- In July 2023, the Scheme disinvested in full from the BlueBay multi-asset credit mandate. The proceeds of this disinvestment were directed to Insight in August.
- In October 2023, the Scheme's holdings with Insight were restructured to make use of the above proceeds and reflect a new de-risked strategy. This strategy change included the following:
  - o Reduction of the Scheme's investment objective from Gilts + 2.3% p.a. to Gilts + 1.8% p.a.;
  - o Removal of the target allocation to multi-asset credit;
  - o Removal of the target allocation to property, as in late 2022 the Scheme's property mandate with LGIM was sold in full;

- Increase in the target allocation to private credit from 15% to 21.4%, to reflect the updated proportion of the £ amount committed to private credit as a proportion of the total Scheme assets;
  - Increase in target allocation to low-risk credit from 35% to 43.1%;
  - Increase in the Scheme's target allocation to LDI from 22% to 30.5%.
- Between October 2023 and March 2024, following progress in the Scheme's funding level, the target liability hedge was increased three times:
  - In December 2023 from 77.5% of Technical Provisions liabilities to 81%;
  - In February 2024 from 81% to 90%;
  - In March 2024 from 90% to 100%.
- The Scheme is therefore now fully hedged on a Technical Provisions basis.
- All changes outlined above were reflected in a formal update to the SIP and IID in June 2024.

### **Implementation Statement**

This report demonstrates that the Greencore UK Defined Benefit 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

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 hedge these risks, targeting interest rate and inflation hedge levels equivalent to 100% of TP liabilities.	At the start of this reporting period, the Scheme targeted interest rate and inflation hedge levels equal to 100% of assets. This equated to c. 77.5% of Technical Provisions liabilities,  In March 2024, the Scheme increased this hedge to target 100% of Technical Provisions liabilities, meaning the Scheme is now fully hedged on the TP basis.
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/synthetic equity manager.	No changes to the policy over the year.  The Trustee receives regular advice from the Administrator and Investment Consultant regarding the Scheme's cashflow requirements and liquidity.
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.	No changes to the policy over the year.  Investment return has been monitored at both a fund level and a scheme level on a quarterly basis at Trustee meetings.  Additionally, individual allocations are reviewed on a quarterly basis to ensure that no mandate is breaching its upper or lower allocation limits.

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.	<p>No changes to the policy over the year.</p> <p>No new investment managers appointed during reporting year.</p>
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> <li>5. UN PRI Signatory</li> </ol> <p>The Trustees monitor the managers on an ongoing basis.</p>	<p>No changes to the policy over the year.</p> <p>Further detail provided 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>Hedge 50% of currency risk on equities/other assets.</p>	No changes to the policy over the year.

# Changes to the SIP

The Trustee updated the Scheme's SIP in May 2023, to reflect updated stewardship guidance from the DWP. The SIP was updated with wording to outline the Trustee's policy in relation to engagement and the exercise of voting rights.

Since year end, the Scheme's SIP has been updated again to amend the risk policy in relation to the liability hedging (given the increase in the target liability hedge levels discussed previously), and to include a more recent valuation of the PFP. Additionally, the IID has been updated to reflect the de-risked investment strategy and the increase in the target liability hedge ratios.

# 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 the Scheme's ESG policy and agreed ESG principles. The following pages detail our view of the managers, our actions for engagement and an evaluation of the engagement activity.

### Current Policy

The Scheme's Environmental, Social and Governance ("ESG") Policy formalises the Trustee's opinion regarding ESG and the Scheme's policy on how ESG factors should be integrated into investment decision-making.

The Trustee defines Responsible Investment ("RI") in line with the UN-backed Principle for Responsible Investing ("PRI"), which states that RI is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

The Trustees have formulated a set of ESG principles to help underpin overall investment decision making. The Trustee's ESG principles have been summarised on the following page.



<b>Risk Management</b>	<ol style="list-style-type: none"> <li>ESG factors such as climate change are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustee.</li> <li>The Trustee believes that ESG integration leads to better risk adjusted outcomes and over time, as the opportunities arise, will look to implement a positive ESG tilt to the investment strategy.</li> </ol>
<b>Approach / Framework</b>	<ol style="list-style-type: none"> <li>The Trustee wants to understand how asset managers integrate ESG within their investment process and in their stewardship activities.</li> <li>The Trustee believes that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will seek to allocate to these sectors.</li> <li>The Trustee will consider the ESG values and priority areas of the stakeholders and sponsor (for example net zero commitments) and use these to set ESG targets. The Trustee will look to set ESG targets for the Scheme once further regulatory guidance is available / industry best practice is established.</li> </ol>
<b>Voting &amp; Engagement</b>	<ol style="list-style-type: none"> <li>ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors.</li> <li>The Trustee believes that engaging with managers is more effective to initiate change than divesting and so, once ESG targets for the Scheme have been established, will seek to communicate key ESG actions to the managers in the first instance.</li> <li>The Trustee wants to understand the impact of voting &amp; engagement activity within the investment mandates.</li> </ol>
<b>Reporting &amp; Monitoring</b>	<ol style="list-style-type: none"> <li>ESG factors are dynamic and continually evolving, therefore the Trustee will receive training as required to develop knowledge.</li> <li>The Trustee will seek to monitor key ESG metrics within the investment portfolio to understand the impact of the investments.</li> </ol>
<b>Collaboration</b>	<ol style="list-style-type: none"> <li>Asset managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI and TCFD.</li> <li>As the Trustee's knowledge regarding responsible investing develops, it will periodically review whether to sign up to a recognised ESG framework to collaborate with other investors on key issues.</li> </ol>



# ESG summary and engagement with the investment managers

The Scheme completed an Impact Assessment in February 2024 (assessing all investment mandates in place at that date). The below table outlines a summary of the underlying managers' ESG policies and procedures. Manager and Fund.

	ESG Summary	Actions identified	Engagement details
BlackRock Dynamic Diversified Growth Fund	<p>Blackrock have strong firm wide ESG policies, large, dedicated ESG teams and use a wide range of internal and third-party data sources all to support and implement its sustainable approach to investing.</p> <p>However, at a fund-level there is less evidence of these policies being monitored and measured against, and of the outcomes of any risk analysis and engagement being a part of regular reporting.</p>	<p>Investment Approach – Introduce fund-specific ESG objectives.</p> <p>Risk Management – Update ESG scorecard on an annual basis.</p> <p>Stewardship – Create fund level stewardship priorities.</p> <p>Reporting – Provide Scope 1 &amp; 2 GHG emissions and ESG metrics in quarterly reporting specific to the Fund, rather than Diversified Strategies as a whole.</p> <p>Collaboration – Collaborate with the market on ESG issues that are in line with the Fund's ESG objectives/tilt.</p>	No material changes since engagement with the manager in February 2023.
BlackRock Diversified Private Debt Fund	<p>The BlackRock Diversified Private Debt Fund does not have a specific impact focus although it does aim to mitigate ESG risks. Due to the nature of the private debt asset classes the Fund invests in, there is a lack of fund-specific policies and priorities in place.</p> <p>Despite this, BlackRock have made improvements over the year, particularly relating to risk management and stewardship.</p>	<p>Investment Approach – Produce a quantitative scorecard specifically for real estate debt.</p> <p>Stewardship – Demonstrate examples of recent fund-level engagement in line with stewardship priorities, improve engagement coverage.</p> <p>Reporting – Produce fund-level sustainability disclosures.</p> <p>Climate – Aim to improve fund-level coverage of GHG emissions.</p>	BlackRock are working on actions proposed during engagement with Isio but have not yet completed them.
Insight LDI & Synthetic Equity	<p>Insight have a firm-wide ESG policy and integrate ESG factors at every stage of their investment process, however, there are no specific fund-level ESG objectives for the LDI funds.</p>	<p>Investment Approach – Isio proposed that Insight should consider including ESG objectives or focus areas for their LDI funds.</p> <p>Reporting – Additionally, Insight should consider publishing the ESG score for the counterparties</p>	Insight were not satisfied with the outcome of their engagement with the DMO in relation to the frequency of impact reporting from biennially to

		within the pooled funds or segregated mandates.	annually. As a result, Insight downgraded the UK government's green gilt. Insight continue to engage with the DMO on other ESG-related topics.
Insight Asset-Backed Securities	<p>Insight has a strong firm-wide approach to stewardship as they have dedicated stewardship analysts who are responsible for setting key engagement priorities. They are also a key industry collaborator and member of several initiatives. However, at the fund level they remain limited by the quantity and quality of data in the ABS market, which is reflected in the low reporting score.</p> <p>Deterioration in the overall ESG score is mainly due to fall in the reporting score. Unlike some peers, Insight do not include carbon footprint analysis in their ESG reports.</p>	<p>Risk Management – assess the effectiveness of green, sustainable-linked, or use-of-proceeds bonds for potential inclusion in the portfolios.</p> <p>Investment Approach – consider updating ESG scorecard annually to keep up with best practice.</p> <p>Reporting – develop an approach to estimate carbon footprint and include it in ESG reports.</p>	Insight now have an ESG scorecard that is sent to originators with the objective of improving the quality and quantity of data collection. However they still do not have Fund specific quantifiable ESG objectives in place.
Insight Buy & Maintain Corporate Bonds	<p>As mentioned previously, at a firm level Insight has a strong firm-wide approach to stewardship and are a prominent industry collaborator. This is reflected in their high stewardship and collaboration scores.</p> <p>The risk management score has fallen since last year due to our enhanced criteria. However, we believe that Insight still has a strong approach to ESG risk management as they have a dedicated Responsible Investment team overseeing ESG integration across all investment teams.</p> <p>At a Fund level, Insight has increased allocations to green, social, and sustainable bonds across their B&amp;M and Corporate Bond fund ranges.</p>	<p>Reporting – Detail key engagement activity and engagement outcomes in the quarterly reports.</p> <p>Reporting – Increase coverage so it is at least in line with the fund comparator index.</p> <p>Risk Management – Model how various climate scenarios may affect the value of the fund.</p>	No material changes since engagement with the manager in February 2023.

Insight Liquidity Fund	<p>Due to the nature of the asset class and limited data in this space there are no fund specific ESG objectives. However following engagement on recommended actions last year, Insight have started producing quarterly ESG reports for the funds.</p>	<p>Investment Approach - Gain Article 8 classification for all funds in the range.</p> <p>Reporting – Include social metrics, such as board diversity, in regular reporting.</p>	<p>No material changes since engagement with the manager in February 2023.</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 months to 31 March 2024.

Fund name	Engagement summary	Commentary
BlackRock Dynamic Diversified Growth Fund	<p><b>Total Engagements: 331 *</b></p> <p>Environmental: 90</p> <p>Social: 126</p> <p>Governance: 309</p> <p>* Breakdown does not sum to total as multiple topics are covered during engagement conversations.</p>	<p>BlackRock engage with their companies through their Investment Stewardship team to provide feedback and inform their voting decisions.</p> <p>Examples of significant engagements include:</p> <p><b>Shell Plc.</b> – BlackRock engaged with Shell on their Energy Transition Strategy. Shell's current disclosure states that the company aims to reduce their Scope 1 and 2 greenhouse gas (GHG) emissions by 50% by 2030, compared to 2016 levels on a net basis. By 2022, operational emissions had been reduced by 30%. Shell has and continues to provide a clear assessment of their plans to manage climate-related risks and opportunities and has demonstrated continued delivery against their Energy Transition strategy.</p> <p><b>Broadcom Inc</b> – BlackRock engaged with the company on their executive compensation practices over the past several years to understand how pay outcomes aligned with strategy and incentivized long-term financial performance. In recent engagement, BlackRock raised concerns about the company's long-term incentive plan, the multi-year use of one-off awards, and the lack of a clawback policy. BlackRock also discussed the board's approach to succession planning.</p>
BlackRock Diversified Private Debt Fund	BlackRock do not currently provide details of their engagement activity for the Diversified Private Debt Fund.	At a firm-level, BlackRock engages with many companies and informs clients about its engagement and voting policies through various forms of communication. The Investment Stewardship team is responsible for encouraging sound corporate governance practices and encouraging companies to deliver long-term, sustainable growth and returns for clients through engagement and proxy voting.
Insight LDI, Synthetic Equity & Liquidity Fund	Insight did not provide details of their engagement activity for the LDI, Synthetic Equity & Liquidity Fund	Insight proactively engages with regulators, governments, and other industry participants to discuss governance issues, including business policies/strategy, regulation, and risk management.

Insight Liquid ABS Fund	<p><b>Total Engagements: 60-70</b></p> <p>Insight continually engage with counterparties and parent companies of the underlying holdings in areas such as climate risk and carbon footprint.</p> <p>Examples of significant engagements include:</p> <p><b>Mercedes Benz</b> – Insight engaged with Mercedes Benz regarding completing the ESG questionnaire Insight sends out. Insight explained that the completion of this ESG questionnaire is a requirement for any company Insight invests in. As part of this engagement Insight offered to work with them to ensure future participation. Mercedes Benz accepted this offer and is now working with Insight to complete the questionnaire.</p> <p><b>Investcorp</b> –. Insight’s initial engagement with Investcorp was to cover the company’s investment policy with a focus on ESG policies and procedures. Investcorp now incorporates Fitch ESG ratings as part of their assessment of the underlying loans within the collateral pool. Additionally, sectors such as gambling, and usury lending practices (including debt collectors) are excluded from loan pools. Insight also indicated their approach to ESG analysis and the framework for assessing CLO managers and transactions.</p>
Insight Global ABS Fund	<p><b>Total Engagements: 60-70</b></p> <p>Examples of significant engagements include:</p> <p><b>European Data Warehouse (EDW)</b> – Insight engaged with the key account manager at EDW and suggested the introduction of a data aggregation tool to pool information on public deals on the same parameters, such as the EPC rating across a residential collateral pool. The engagement was led by a portfolio manager and analyst within the secured finance team. EDW also collate information across private deals. Insight requested that some of this data (such as geography, currency, asset class as well as ESG data where available) could be provided (on an anonymised basis) to investors.</p> <p><b>Volkswagen (VCL)</b> – Insight met with Volkswagen to discuss the provision of ESG related data on auto collateral pools and securitisations. Although they confirmed that historically their main focus has been on reporting at the corporate level, not the finance vehicle operating company, they would work towards providing carbon emissions at a securitisation level.</p>
Insight High Grade ABS Fund	<p><b>Total Engagements: 60-70</b></p> <p>Examples of significant engagements include:</p> <p><b>AFG</b> – Insight engaged with AFG to discuss how climate risk factors were incorporated into their loan book. These risks included exposure and resilience to natural disasters. Insight also raised the matter of issuance and whether the company had any plans to issue a green or social bond.</p> <p><b>Lloyds</b> – Insight engaged with Lloyds to discuss their likely funding paths over the next 5 years and the</p>

		impact that ESG requirements (amongst other factors) might have upon that.
Insight Maturing Buy and Maintain Bond Fund 2026-2030	<b>Total Engagements: 102</b>	<p>Examples of significant engagements include:</p> <p><b>Heathrow Funding Ltd</b> – Insight engaged with the company to better understand its decarbonisation strategy. The company is targeting net zero by 2050. The 2 main challenges the issuer faces are the degree of the company's influence on airlines to decarbonise their fleet, and that its net zero plan relies on technology which is costly and/or unproven. Insight will continue to monitor the progress of the airport's decarbonisation trajectory.</p> <p><b>Haleon Plc</b> – Insight engaged with the company to follow up on earlier engagements to address their relatively poor ESG scores following their spin off from their parent. Haleon's MSCI rating has since improved from BB to BBB between October 2022 and August 2023. Insight will continue to engage with Haleon on this matter.</p>
Insight Maturing Buy and Maintain Bond Fund 2031-2035	<b>Total Engagements: 71</b>	The above engagements apply to the Buy and Maintain Bond Fund 2031-2035. Engagements across these mandates are the same.
BlueBay Total Return Diversified Credit Fund	<b>Total Engagements: 275 *</b>  Environmental: 121 Social: 87 Governance: 158  * Breakdown does not sum to total as multiple topics are covered during engagement conversations	BlueBay's activities are consistent with their ESG policies, and they have a systematic approach around engagements in which specific objectives are outlined in advance and measured based on the outcomes from the engagements.

# Voting

The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

The Scheme's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2024. The managers also provided examples of any significant votes. The Trustee has adopted the managers' definition of significant votes and has not set stewardship priorities. The managers have provided examples of votes they deem to be significant, and the Trustee has shown the votes relating to the greatest exposure within the Scheme's investment. When requesting data annually, via their investment consultant, the Trustee informs their managers what they deem most significant.

Fund name	Voting summary	Examples of significant votes	Commentary
BlackRock Dynamic Diversified Growth Fund	<p>Voteable Proposals: 7,166</p> <p>Proposals Voted: 6,762</p> <p>Votes For: 6,389</p> <p>Votes Against: 373</p> <p>Votes Abstained: 111</p> <p>Number of votes contrary to recommendation of proxy advisor 19</p>	<p><b>Shell PLC</b> – BlackRock supported this management proposal in recognition of the delivery to-date against the company's Energy Transition Strategy. Shell's current disclosure states that the company aims to reduce their Scope 1 and 2 greenhouse gas (GHG) emissions by 50% by 2030 compared to 2016 levels on a net basis. By 2022, operational emissions had been reduced by 30%. Shell has and continues to provide a clear assessment of their plans to manage climate-related risks and opportunities and has demonstrated continued delivery against their Energy Transition strategy and therefore BlackRock support managements proposal.</p> <p><b>Broadcom Inc</b> – BlackRock voted against the 'say-on-pay' proposal which sought approval of pay policies that BlackRock did not consider to be aligned with the interests of long-term shareholders. As a result, BlackRock also determined not to support the re-election of the members of the Compensation Committee.</p>	<p>BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: management proposal and shareholder proposals. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.</p>



