

# Engagement Policy Implementation Statement (“EPIS”)

## The K. Hartwall Pension Scheme (the “Scheme”) Scheme Year End – 31 December 2024

The purpose of the EPIS is for Entrust Pension Limited, as Trustee of the Scheme, to demonstrate the actions taken during the Scheme Year to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”).

The contents of this EPIS includes:

1. How the Trustee’s policies in the SIP covering asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How the Trustee has exercised its voting rights or how these rights have been exercised on the Trustee’s behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

In preparing this EPIS, the Trustee has used data from its fiduciary investment manager, Aon Investments Limited (AIL), for the 2024 calendar year.

### Trustee conclusion

**Based on the activity undertaken during the year, the Trustee believes that the policies set out in the SIP have been implemented effectively.**

In the view of the Trustee, most of the Scheme’s material investment managers were able to disclose adequate evidence of voting and engagement activity, and this activity was in line with the Trustee’s stewardship expectations.

The Trustee delegates the management of some of the Scheme’s assets to our fiduciary manager, AIL. The Trustee believes the activities completed by AIL to review the underlying managers’ voting and engagement policies and activities align with the Trustee’s stewardship expectations. We believe that voting rights have been implemented effectively on the Trustee’s behalf.

### **Summary of the Trustee Engagement Action Plan**

Not all underlying investment managers were able to provide all the engagement information requested by AIL and AIL will continue to engage with these managers to encourage improvements in their reporting. These issues are set out in the Trustee’s Engagement Action Plan.

## How voting and engagement policies have been followed

The Scheme is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme's investment managers, which is in line with the policies set out in the SIP.

The Trustee has reviewed the stewardship activity of the material underlying investment managers over the Scheme year and in our view, most of the investment managers were able to disclose good evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections.

### **Responsible Investment (RI) policy development**

The Trustee's RI policy was created following an exercise to collate the individual views of the Trustee's team with respect to different RI issues. The Trustee reviewed the conclusions from this exercise alongside the features of the Scheme and its investment arrangements to help it formally establish its RI views, beliefs and objectives. This exercise resulted in the establishment of a stand-alone RI policy by the Trustee. Throughout the year, the Trustee ensured the RI policy remained relevant and up to date.

### **Ongoing monitoring**

The Trustee receives in depth portfolio updates from AIL at quarterly Trustee meetings, covering investment performance, portfolio positioning and topical updates, including ESG-related updates.

Each year, usually at one of its quarterly Trustee meetings, the Trustee reviews the annual Stewardship Report provided by AIL. This sets out detailed voting and engagement commentary for each underlying investment manager within the fiduciary investment portfolio and, alongside this EPIS, allows the Trustee to assess the actions taken by the AIL-appointed investment managers over the year.

### **Sponsor consultation**

The Trustee believes that the views of the sponsor, where applicable, should be aligned to the Scheme's RI policy and objectives. The sponsor is consulted with any amendments to the SIP.

The Scheme's stewardship policy can be found in the SIP [Statement of Investment Principle K. Hartwall Pension Scheme - Gateley \(gateleyplc.com\)](#)

### **What is stewardship?**

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental, Social and Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

*Source: UN PRI*

## Trustee Engagement Action Plan

Based on the work done for the EPIS, the Trustee has decided to take the following steps over the next 12 months:

1. The Trustee will invite an RI specialist from AIL to a meeting to revisit how AIL is monitoring voting practices and engaging with underlying managers on the Trustee's behalf, and how these help the Trustee fulfil its RI policies.
2. The Trustee will continue to undertake an annual review of the AIL's Stewardship Report and evaluate how the underlying investment managers' RI policies align with those of the Trustee.
3. The Trustee will continue to work with AIL to encourage improvements in the reporting by underlying investment managers. The Trustee noted that while LGIM provided a complete list of engagements for the invested funds, this did not include as much detail as recommend in the best practice industry standard.

### What is the Engagement Action Plan?

In preparing the Engagement Policy Implementation Statement, AIL and the Trustee have discovered specific areas where they would like to see improvement over time.

The Engagement Action Plan sets out specific issues that AIL and the Trustee will look to address over the forthcoming year, as well ongoing commitments around ESG monitoring and reporting.

## Fiduciary manager's engagement activity

As set out in the Scheme's SIP, the Trustee invests the Scheme's assets in AIL's fiduciary management platform. Under this arrangement, the implementation of the Scheme's investment strategy is delegated to AIL, acting within parameters set by the Trustee.

The Scheme's assets may be invested in a combination of return-seeking funds as well as bespoke hedging component which provides the Scheme with protection against changes in long-term interest rate and inflation expectations via a bespoke Liability Driven Investment (LDI) portfolio. The strategic allocation to each fund is determined by the target level of return, and target hedging of interest rates and inflation, set by the Trustee. The underlying investment managers within each selected fund are appointed by AIL, based on AIL's best ideas and due diligence processes.

The Trustee delegates monitoring of ESG integration and stewardship of the underlying managers to AIL. The Trustee has reviewed AIL's latest annual Stewardship Report, and believes it shows that AIL is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, AIL held several engagement meetings with many of the underlying managers in its strategies. AIL discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. AIL provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, AIL also engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, AIL committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

AIL also successfully renewed its signatory status to the 2020 UK Stewardship Code, which is a voluntary code established by the Financial Reporting Council that sets high standards on stewardship for asset owners, investment managers and service providers.

### What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. But the trustees still retain responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the trustees will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

## Managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material investment managers. The managers have provided information for the most recent calendar year available.

Funds	Number of engagements		Themes engaged on at a fund level
	Fund level	Firm level	
Robeco - Sustainable Development Goals ("SDG") Credit Income Fund	12	324	Environment - Climate Change Social - Human and Labour Rights Governance - Shareholder Rights; Board Effectiveness - Other
Aegon Asset Management ("Aegon") – European Asset Backed Securities ("ABS") Fund	115	422	Environment - Climate Change Social - Human and Labour Rights Governance - Leadership - Chair/CEO; Remuneration Other - General Disclosure
M&G Investments ("M&G") – Sustainable Total Return Credit Investment	12	406	Environment - Net Zero/Decarbonisation; CA 100+ Engagements; Climate Change; Nature & Biodiversity Social - Diversity & Inclusion Governance – Executive Remuneration
Royal London Asset Management ("RLAM") – Absolute Return Bond Fund	33	710	Environment - Climate Transition Risk Social - Just Transition; Mental Health; Financial Inclusion Governance – Remuneration Strategy, Financial & Reporting - Strategy/Purpose

Source: Investment managers.

## Data limitations

This report does not include commentary on certain asset classes such as liability driven investments, gilts or cash because of the limited materiality of stewardship to these asset classes.