

TOWNSEND HOOK DEFINED CONTRIBUTION PLAN

APPENDIX I – IMPLEMENTATION STATEMENT

Implementation Statement ('IS')

Introduction

The purpose of the Implementation Statement is for us, the Trustee of the Townsend Hook Defined Contribution Plan (Smurfit Kappa Staff Trustees Limited referred to in this document as “the Trustee”) to explain what we have done during the year ended 31 December 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. A summary of any review and changes made to the SIP over the year
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

The Implementation Statement has been prepared under the regulatory requirements now in force (principally comprising The Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

Our Conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Plan’s material investment managers were able to disclose good evidence of voting and/or engagement activity, that the activities completed by our managers align with our stewardship priorities, and that our voting policy has been implemented effectively in practice.

As set out in the Engagement Action Plan, we will engage with these managers to encourage them to provide detailed and meaningful disclosures about their engagement activities and better understand their engagement practices.

The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Plan invests in. The Trustee will therefore continue to use its influence to drive positive behaviour and change among the managers that it has employed to invest the assets of the Plan, and with other third parties that the Trustee relies on such as its investment advisers. The Trustee will monitor, assess and ultimately hold them to account to make sure that the assets of the Plan are appropriately invested.

1. Changes to the SIP during the year

The Trustee last revised the SIP in September 2020 – no review was conducted (or any changes made) over the Plan year.

The Trustee will review its SIP following any changes to its investment strategy or as a result of regulatory updates. Regardless, the Trustee will conduct formal review of the SIP prior to September 2024.

The Plan’s latest SIP can be found here: <https://pensioninformation.aon.com/townsendhook>

2. How the policies in the SIP have been followed

The Trustee outlines in its SIP a number of key objectives and policies. These are noted below together with explanation of how these objectives and policies have been met and adhered to over the course of the year.

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The Trustee's primary objectives are:

- “Asset choice” to ensure members have an appropriate choice of assets for investment in relation to their funds where no underpin applies (post-6 April 1997 funds).
- “Return objective” to enable members to benefit from the long-term growth of equity and other growth assets until they approach retirement, when they will be able to switch to assets of less volatility, and more related to the purchasing cost of their income and cash in retirement.
- “Security objective” - to provide for the guarantee that the pension payable in respect of the pre-6 April 1997 member funds will not be less than the Guaranteed Minimum Pension (GMP).

Over the course of the year, the Trustee has provided members with a range of investment options for their Post-97 assets covering the main asset classes, ranging from lower to higher investment risk options.

Members who do not wish to take an active role in managing their post 97 investment choices are able to invest in the low-involvement option, the Post 97 Lifestyle Investment Strategy, which is also the default investment option for the Plan.

This provides an asset allocation strategy, which automatically changes the funds members are invested in depending on the length of time until their selected retirement date. As members get closer to retirement, their savings are gradually moved away from higher risk, growth-seeking assets towards lower risk, capital preservation assets to prepare their pension investments for their pension benefits at their retirement date.

In addition to the default, the Trustee also makes available eight self-select funds for members to choose for their post 97 assets depending on their risk appetite. The range of self-select funds includes two equity funds, one multi asset fund, one corporate bond fund, two gilt funds and one cash fund.

Members' pre-97 assets are invested in the Pre 1997 Lifestyle Investment Strategy which aims to maximise growth potential in the early years and minimise capital loss in the years leading up to retirement in order to aim to provide for the GMP underpin.

Our Engagement Action Plan

Based on the work we have done for the IS, we have decided to take the following steps over the next 12 months:

1. While LGIM provided a comprehensive list on fund level engagements, which we find encouraging, it did not provide detailed engagement examples specific to the fund in which we are invested, as per the Investment Consultants Sustainability Working Group (“ICSWG”) industry standard, and also did not provide firm level engagement information. The Trustee and its advisers will engage with LGIM to better understand its engagement practices and discuss the areas which are behind those of its peers.
2. We will continue to engage with our investment managers to obtain information and invite them to attend meetings where appropriate to get a better understanding their voting and engagement practices, and how these help us fulfil our Responsible Investment policies.
3. We will undertake an annual review of our investment managers' Responsible Investment policies to ensure they are in line with our own.

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3. Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Plan's investments is an important factor in deciding whether a manager remains the right choice for the Plan.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Plan's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Plan's material funds with voting rights for the year to 31 December 2023.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM - World Equity Index Fund	37,810	99.9%	20.9%	0.1%
Schroders – Sustainable Future Multi-Asset Fund	9,286	93.9%	10.9%	0.8%
Majedie - UK Equity Fund	2,132	100.0%	2.4%	0.5%

Source: Managers.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

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Use of proxy voting advisers (continued)

The table below describes how the Plan's managers use proxy voting advisers.

	Description of use of proxy voting advisers
Legal & General Investment Management Limited ("LGIM")	LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) '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. 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.
Schroders Investment Management International Limited ("Schroders")	Institutional Shareholder Services (ISS) act as our one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with our own bespoke guidelines, in addition, we receive ISS's Benchmark research. This is complemented with analysis by our in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.
Majedie Investments ("Majedie")	Liontrust (parent company of Majedie) use a third party (ISS) to monitor and review shareholder meetings and resolutions against our custom voting guidelines. This allows us to focus our time and resources on those issues and resolutions that conflict with our guidelines which are based on the PLSA voting principles and the UK Corporate Governance Code, or that go against the spirit of the code. When any such discrepancy is discovered, depending on its nature and the size of the shareholding in the company, Liontrust would engage with the management of the company to understand the proposals and may support the company if there is a convincing justification and is in the interests of shareholders.

Source: Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Plan's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Plan's funds. A sample of these significant votes can be found in the appendix.

Our 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.

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Our managers' engagement activity (continued)

The table below shows some of the engagement activity carried out by the Plan's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Plan.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
LGIM - World Equity Index Fund	734	<i>Not provided</i>	Environment - Climate Impact Pledge, Climate Change, Deforestation Social – Gender Diversity, Income inequality, Public Health Governance – Remuneration, Board Composition, Nominations and succession
Schroders – Sustainable Future Multi-Asset Fund	1,075	6,724	Environment - Climate change, Pollution, Waste Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness – Diversity, Board effectiveness – Other Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose
Majedie - UK Equity Fund	288	851	<i>Not provided</i>

Source: Managers.

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- LGIM did provide fund-level engagement information for its world equity index fund but not in the industry standard ICSWG template. Additionally, the manager did not provide any firm-level engagement information.
- Majedie did not provide any themes engaged at firm/ fund level.

This report does not include commentary on the Plan's investments in bonds and cash because of the limited materiality of stewardship associated with these asset classes.

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Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Plan's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

LGIM - World Equity Index Fund	Company name	Apple Inc.
	Date of vote	24 May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.6%
	Summary of the resolution	Report on Median and Adjusted Gender/Racial Pay Gaps
	How you voted	For (Against Management Recommendation)
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
	Rationale for the voting decision	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.
	Outcome of the vote	Failed
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.
	On which criteria have you assessed this vote to be "most significant"?	Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

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Appendix – Significant Voting Examples (continued)

Schroders - Dynamic Multi- Asset Fund	Company name	Klabın SA
	Date of vote	24 Oct 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not provided</i>
	Summary of the resolution	Adopt Near and Long-Term Science-Based GHG Emissions Reduction Targets Aligned with Paris Agreement Goal
	How you voted	For
	Rationale for the voting decision	The company has been asked to produce a science-based net zero target. We are keen to see the company submitting science-based emission reduction targets which have been externally verified. We believe that how we have voted is in the best financial interest of our clients' investments.
	Outcome of the vote	Failed
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We monitor voting outcomes particularly if we are large shareholders or if we have an active engagement on the issue. If we think that the company is not sufficiently responsive to a vote or our other engagement work, we may escalate our concerns by starting, continuing or intensifying an engagement. As part of this activity we may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors
	On which criteria have you assessed this vote to be "most significant"?	Environmental
	Rationale for the voting decision	The company has been asked to produce a science-based net zero target. We are keen to see the company submitting science-based emission reduction targets which have been externally verified. We believe that how we have voted is in the best financial interest of our clients' investments.

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Appendix – Significant Voting Examples (continued)

Majedie - UK Equity Fund	Company name	BP Plc
	Date of vote	27 April 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.4%
	Summary of the resolution	Approve Shareholder Resolution on Climate Change Targets
	How you voted	Supported Management
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	BP Plc
	Rationale for the voting decision	We voted against this shareholder-filed proposal, and therefore in support of management. We believed that the proposal would represent a change in strategy from the one developed by the Board, which implies a potential constraint on the Board to develop and implement strategy. This should not detract from the merits of the proposal, in particular that the requisitionists' argument that intensity metrics are not a substitute for absolute metrics is entirely valid.
	Outcome of the vote	Passed
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	N/A
	On which criteria have you assessed this vote to be "most significant"?	A vote on a shareholder proposal.

Source: Managers