INVESTMENT MANAGEMENT

Engagement Policy Implementation Statement

Graphic Packaging UK Pension Scheme
5 April 2025

Table of contents

Introduction

Graphic Packaging UK Pension Trustee Company Limited (the "Trustees") are obliged, acting in their capacity as Trustee of the Graphic Packaging UK Pension Scheme (the 'Scheme), to prepare a yearly statement setting out how they have complied with the Statement of Investment Principles (the 'SIP'), including:

- a description of any amendments to the SIP during the period covered by the statement.
- how and the extent to which, in the opinion of the Trustees, compliance with the SIP has been achieved.
- how the Trustees have demonstrated good stewardship over investments, which includes
    - a demonstration of compliance with policies on investment rights (including voting) and engagement described within the SIP.
    - a description of voting behaviour made by or on behalf of the Trustees.
    - a statement on any use of the services of a proxy voter.

This statement relates to the period from 6th April 2024 to 5th April 2025 (the 'reporting period') and has been prepared in accordance with regulatory requirements and guidance published by the Pensions Regulator. This statement is based on the SIP that applied during the reporting period, the latest of which is available at the following link: GPUK Pension Scheme

Amendments to SIP

The Trustees have been on a clear plan to settle scheme liabilities via a buy-in. Over recent years, investment risk has been reduced following de-risking triggers being hit, and in Q4 2024 the portfolio was transferred to a price lock portfolio, following discussions with a chosen insurer. In January 2025, a full buy-in of Scheme liabilities was completed with Aviva. As a result, the SIP was amended and signed in February 2025.

Compliance with SIP

The Trustees monitor compliance with the SIP annually. In particular, the Trustees obtain confirmation from its fiduciary manager, Van Lanschot Kempen Investment Management (VLK) and other advisors that they have complied with the relevant SIP (insofar as is reasonably practicable) in accordance with Occupational Pension Schemes Regulations.

In particular, the Trustees have received periodic investment reports and investment updates from VLK that provide:

- details of the asset allocation and compliance of these allocations with the investment policies specified in the SIP.
- details of the value of the Scheme's investments, and the estimated value of the liabilities from which an estimated funding position can be determined.
- progress of the funding position with respect to funding targets.
- details of the performance of the individual investments, including relative to a benchmark.
- details of the performance of the total investments, including relative to the target return and investment objectives.
- details of the hedging of the interest rate and inflation risks associated with the liabilities, and whether the hedging is working as expected, and compliant with the bandwidths specified in the SIP.
- details of the investment risk of the underlying investments, and the change in the total investment risk over time.
- details of the underlying investment managers used in the Scheme's portfolio.
- details of the engagement behaviour of both VLK and the underlying investment managers, including their voting behaviour.
- the responsible investment characteristics of the underlying investments.

The Trustees have reviewed the information provided by VLK and its other advisors, and are satisfied that the policies set out in the SIP have been followed, including:

- investing the assets according to the investment policy and the investment strategy advised and implemented by VLK.
- choosing suitable investments to achieve the right balance between risk and return, with a focus on security, quality, liquidity, and profitability of the Scheme's assets.

- managing the key investment risks of the Scheme appropriately.
- monitoring the underlying managers of the investments, and the performance of those managers relative to the objectives.
- managing Environmental, Social, and Governance (‘ESG’) risks where financially material (note that non-financial factors, such as member views, are not taken into consideration).
- exercising of the rights (including voting rights) attaching to investments.

A summary of the stewardship behaviour of both VLK and a selection of the underlying investment managers they appoint on the Trustees’ behalf is provided in the sections below. This includes information on voting behaviour, and votes considered significant by each of the investment managers. The Trustees have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are all reasonable and appropriate. It also includes information on the engagements undertaken my investment managers with the companies/issuers in which they invest.

VLK monitoring and engagement behaviour

Background

The Trustees do not monitor or engage directly with issuers or managers of debt or equity investments, but instead delegate this activity to VLK and to the underlying investment managers appointed by VLK. The Trustees expect VLK to undertake regular monitoring and engagement in line with its own corporate governance policies, taking account of current best practice, including the UK Corporate Governance Code and the UK Stewardship Code. The remainder of this document provides insights into VLK's responsible investment and engagement activities which have directly and indirectly helped the Trustees with their stewardship responsibilities.

VLK expects the underlying investment managers they select to exercise rights attached to their investments, including voting rights, and to engage with issuers of debt and equity (and other relevant persons) about matters such as performance, strategy, management of actual or potential conflicts of interest, and ESG considerations. ESG criteria are defined as a set of non-financial indicators relating to a company's operations that are used by investors to evaluate corporate behaviour and to determine how it may impact the future financial performance of companies. Environmental criteria consider how a company's interaction with the natural environment may affect its performance. Social criteria examine how it manages relationships with its stakeholders (employees, suppliers, customers, local communities etc.). Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

There are several levels of engagement at VLK: they engage with the investment managers they appoint, with companies in which they invest directly (e.g. within VLK-managed investment products), and via collaborative engagement with industry stakeholders, such as regulators, industry initiatives, benchmark providers, and peers.

VLK monitoring of investment managers

VLK has limited influence over external investment managers' investment practices (particularly where assets are held in pooled mutual funds). However, throughout the last 12 months, VLK has encouraged its appointed managers to improve their own stewardship and engagement practices and consider ESG (risk) factors when making investment decisions.

When assessing investment managers, VLK bases its ESG criteria on international conventions and initiatives, such as the UN Global Compact and the UN Principles for Responsible Investment (PRI).

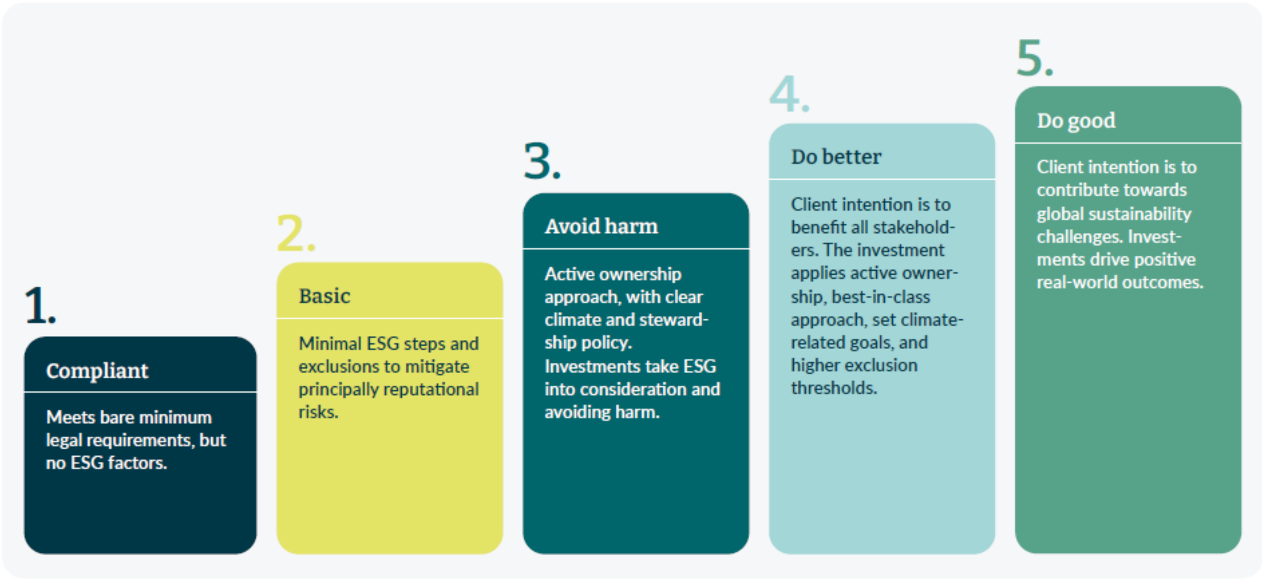
VLK has created a proprietary scoring framework ('the Sustainability Spectrum') to help them understand and evaluate how investment managers integrate various ESG factors into their investment processes. This framework assesses investment managers on six core pillars:

1. **Commitment to Responsible Investment**: policies and objectives relating to responsible investment.
2. **ESG Integration**: incorporation of ESG factors into investment processes and decision making.
3. **Active Ownership**: voting and engagement with underlying companies/issuers.
4. **Evidence & Transparency**: reporting and disclosure on ESG issues.
5. **Exclusion**: policy on avoidance of controversial sectors and companies with high ESG risk.
6. **Impact**: framework for measuring and managing environmental and social impacts.

Framework for assessing investment managers on ESG factors

Within this framework, investment managers and their products are classified into one of five different levels: Compliant (level 1), Basic (level 2), Avoid harm (level 3), Do better (level 4), Do good (level 5).

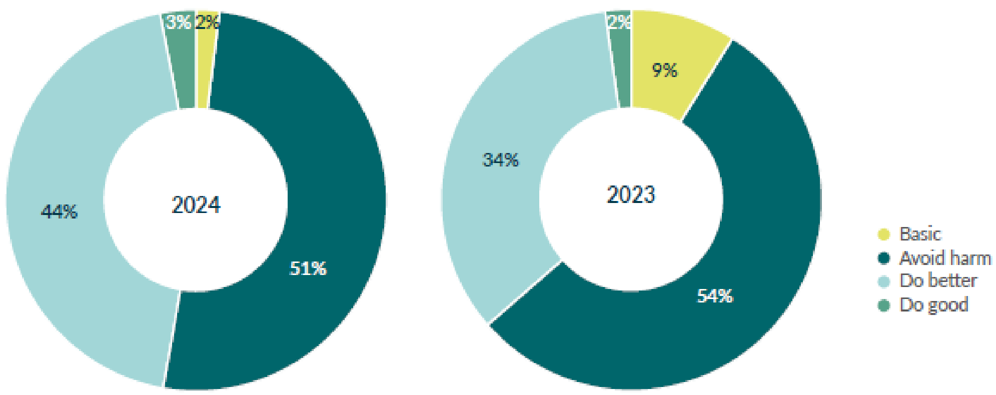
Five flavours of the Sustainability Spectrum



VLK's scoring of investment funds

In 2024, VLK assessed 394 mutual funds. Each fund was assigned a score on the Sustainability Spectrum. These assessments are conducted by their Manager Research Solutions team, with research and conclusions shared across the organisation.

Sustainability Spectrum scores of investment managers



VLK highlights in 2024

During 2024, VLK:

- Proactively engaged with 38 different investment managers, covering 162 mutual funds. Many of these engagements centred around the upcoming fund naming guidelines of the European Securities and Markets Authority (ESMA). The ESMA guidelines aim for transparency and consistency in requirements for funds whose names include sustainability terms (such as 'sustainable', 'ESG' or 'climate')
- Assessed 394 mutual funds on ESG criteria (see above). This included assessments across six key ESG areas: Responsible Investment, ESG Integration, Active Ownership, Transparency, Exclusion, and Impact.
- VLK worked with its Dutch institutional clients to develop a biodiversity framework for Dutch clients on the integration of measurable key performance indicators (KPIs) and key risk indicators (KRIs).

- Conducted detailed research on key risk indicators (KRIs) relating to physical climate risk – the risk to physical assets posed by a changing climate. This included analysing third-party data providers, portfolio integration assessments, and climate modelling.
- VLK worked with its Dutch institutional clients to develop an impact investment framework for Dutch clients with an appetite for measurable sustainability impact. This includes advice on investment objectives, manager selection, implementation, and reporting and monitoring.
- Entered into a partnership with Collective Action, a private markets impact specialist.
- Produced three separate reports on the risks and opportunities created by (they believe) three of the most pressing economic transitions of our times: energy transition (decarbonisation and climate), food transition (making agriculture more sustainable), and material transition (focusing on the circular economy).
- Reviewed the Exclusion Policy, which applies across the entirety of the assets VLK manage (including its fiduciary management mandates). As the end of 2024, almost 300 companies were excluded (primarily due to involvement in controversial weapons, tobacco, and international sanctions).
- Reduced the Weighted Average Carbon Intensity of its discretionary assets under management by 17%.
- Were awarded ''5 stars'' for their ''Policy & Governance Strategy'' in their firmwide Principles for Responsible Investment Assessment Report 2024.
- Continued their involvement in industry initiatives, as members of PRI, GIIN (the Global Impact Investing Network), and ICGN (the International Corporate Governance Network).
- Remained signatories to the Dutch and UK Stewardship Codes.

VLK engagement with the Scheme's appointed managers

VLK appoints a number of investment managers to manage assets in the Scheme's portfolio. Below are some specific engagement examples to demonstrate how VLK are monitoring and engaging with some of the Scheme's underlying managers on stewardship and ESG issues.

Manager engagement example – State Street

State Street – Sustainability commitments, voting & stewardship programme	
Engagement description	VLK provided feedback on sustainability commitments and the launch of new stewardship programme
Investment manager	State Steet Global Advisors (SSGA)
Fund/Mandate	General
Rationale for engagement	Engagement to provide feedback on SSGA's sustainability commitments/practices and enhance existing voting capabilities. This was a pivotal engagement as SSGA manage VLK's flagship global equity mandate for UK fiduciary management clients.
Summary	VLK identified and engaged with SSGA to improve their commitment to responsible investing. This included areas such as becoming a signatory to initiatives like Science-Based Targets initiative (SBTi) and Finance for Biodiversity Pledge. Additionally, VLK noted that SSGA does not engage with companies on severe controversies, while also scoring lower in ShareAction's (a UK-based charity which provides responsible investment analysis) voting assessment compared to other equity index managers. Given this feedback alongside that of other clients, SSGA acknowledged the importance of strengthening their stewardship offering. This has been a point of attention for the organisation who have been working on a new stewardship programme aimed at clients focused on real-world sustainable outcomes. This programme was rolled out later in the year. The new stewardship programme offers clients an ''opt-in'' to a more ambitious stewardship approach. While the default policy will focus on governance-related issues, the new optional policies focus on three sustainability priorities: Climate Change, Nature, and Human Rights, with potential additions like Diversity, Equity, and Inclusion (DEI) to be considered at a later date. A new, dedicated team has been created to represent this new policy, ensuring clear delineation and transparency. Alongside this, VLK also engaged with SSGA over the course of the year to roll-out tailored voting policies for investors in the World TPI Climate Transition Index Equity Fund (VLK's flagship equity mandate for UK FM clients) to provide greater optionality related to sustainability-related votes. This would include a voting policy which is more ambitious on responsible investing issues (e.g. stronger policy on environment-related votes). VLK has successfully managed to engage with SSGA to drive change in this area. Over the course of the next year, VLK expects to roll out of the new voting policy for its clients' mandates. They also expect the improved stewardship programme to be finalised.
Conclusion	SSGA has significantly improved their stewardship and voting capabilities over the course of the year with significant resource allocation. Both developments will help better align with VLK's sustainability ambitions.

State Street – Sustainability commitments, voting & stewardship programme	
Next steps	VLK will continue to monitor progress and development across both these domains as they are rolled out to clients.

Manager engagement example – Insight

Insight – Exclusion policy for Oil & Gas	
Engagement description	VLK enquired about the rationale for environmental exclusion
Investment manager	Insight
Fund/Mandate	Insight Mature Buy & Maintain Credit Funds
Rationale for engagement	Insight had invested in bonds issued by Equinor, which had initially been flagged as having Unconventional Oil & Gas operations
Summary	Van Lanschot Kempen (VLK) is invested in Insight's Buy & Maintain Credit Funds ("the Funds"). The Funds had significant holdings in bonds issued by Equinor (a Norwegian oil and gas company). Equinor had been flagged as having "Unconventional Oil & Gas" operations (meaning extracting reserves located deep underground using complex methods which may damage the environment) due to their work in the Arctic Circle. However, this classification proved to be inaccurate. VLK engaged with Insight about this holding as part of VLK's monitoring and engagement with managers. Subsequently, Insight explained that MSCI ESG (a provider of business operation data which used by investment managers) has updated their policy. Originally, MSCI ESG had flagged Equinor as "Unconventional Oil & Gas" (i.e. at heightened risk of causing environmental damage through their operations due to complex extraction methods) due to their operations in the Artic Circle. This classification was based solely on location, with no consideration for actual operations or extraction method. MSCI ESG has since updated it policy to only flag companies as Unconventional Oil & Gas that both operate in the Artic Circle and drill directly though ice to access reserves (given the damage that ice drilling causes to local ecosystems). Given that only c.1% of Equinor's revenue comes from operations which meet this criteria, MSCI ESG decided to reclassify Equinor as "Conventional Oil & Gas".
Conclusion	Equinor is now classified as "Conventional Oil & Gas" and Insight continue to hold the position in their portfolio; VLK believes this classification to be more accurate. As VLK is committed to the energy transition (including reducing emissions from fossil fuels), they were pleased with both Insight and MSCI ESG's nuanced and pragmatic approach to this issue.
Next steps	VLK will continue to regularly monitor all funds for exposure to controversial sectors, such as Unconventional Oil & Gas.

Voting & engagement of the Scheme's appointed managers

The Shareholder Rights Directive (SRD II) and The UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest, and stress the importance of exercising shareholder voting rights effectively.

Via VLK's monitoring and engagement activities, the Trustees encourage all underlying investment managers to be engaged investors. Furthermore, the Trustees encourage the managers to report on these activities and to disclose information about responsible investing on their website and in their reporting.

The assets are invested in a diverse range of asset classes. As the Scheme was not invested in equity assets during the reporting period, specific details of the voting and engagement behaviour were not available.

Disclaimer

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