

Hotpoint UK Appliances Ltd Pension Scheme Implementation Statement – 5 April 2025

Notice of scope

Please note that this statement only covers the matters relating to the Defined Benefit (“DB”) section of the Scheme and any references made to the Statement of Investment Principles (“SIP”) relate to the DB section of the SIP dated November 2024.

Notice of Scheme name change

The Scheme was previously named “Whirlpool UK Appliances Ltd Pension Scheme”. Effective 1 July 2024, the name of the Scheme has changed to “Hotpoint UK Appliances Ltd Pension Scheme” to reflect the change in the name of the sponsoring company.

Why have we produced this Statement?

The Trustee of the Hotpoint UK Appliances Ltd Pension Scheme have prepared this statement to comply with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

This statement sets out how the Trustee has complied with the voting and engagement policies detailed in the Scheme’s Statement of Investment Principles (SIP).

What is the Statement of Investment Principles (SIP)?

The SIP sets out key investment policies including the Trustee’s investment objectives and investment strategy.

It also explains how and why the Trustee delegates certain responsibilities to third parties and the risks the Scheme faces and the mitigated responses.

The Trustee last reviewed the SIP in November 2024.

What is the purpose of this Statement?

1. Provide further information on reviews of the SIP undertaken by the Trustee, and any changes made to the SIP over the year as a result of a review.
2. Details of how and the extent to which, in the opinion of the Trustee, the Scheme’s policies as set out in the Statement of Investment Principles (the “SIP”) have been followed during the year.
3. To explain how the Trustee’s engagement policy has been applied over the year.
4. To describe the voting rights attached the Scheme’s assets have been exercised over the year.

What changes have we made to the SIP?

The Trustee has made the following changes to the SIP over the year:

- Updated investment objectives to mitigate the risk of fluctuations in the Scheme's funding deficit, by hedging nearly all its liabilities against variations in interest rates and inflation
- Biodiversity is now part of the stewardship priorities

- Clarification on the role of WTW as the Fiduciary Manager of the Scheme, and role of investment managers

Adherence to the SIP

The Trustee delegates certain investment related activities to The Investment and Risk Monitoring Committee (“IRMC”). The IRMC meets four times per year.

The Trustee has received advice on an investment strategy aimed at maximising the chances of achieving its objectives. The investment strategy was formally reviewed over the year following corporate activity associated with the sponsoring company. The Trustee monitors progress relative to its objectives on a quarterly basis as outlined below.

The Trustee believes in diversification and the Scheme’s portfolio is built using a diverse range of return-seeking assets and a dedicated allocation to liability driven investments which seek to match the sensitivity of the Scheme’s liabilities to inflation and interest rates. Throughout the year, implementation of this strategy was delegated to the Fiduciary Manager who managed the balance of these investments. The Trustee put in place guidelines over the year with parameters specified for the Fiduciary Manager to act within including asset allocation, manager and geographical diversification, and foreign currency exposure. The Fiduciary Manager is required to report any breach of these guidelines to the Trustee. No breaches were reported during the year.

In order to ensure appropriate incentivisation and alignment of decision-making between the Trustee and the Fiduciary Manager, the Fiduciary Manager is subject to a number of obligations set out in its contractual arrangements with the Trustee and the Fiduciary Manager is aware of and gives effect to the principles set out in the Trustee’s SIP. The Fiduciary Manager acted in accordance with these obligations throughout the year.

The Trustee’s investment strategy seeks to outperform a benchmark based on a projection of the Scheme’s liability cashflows. The liability benchmark is updated following each actuarial valuation, and when there is any significant change to the structure of the Scheme’s liabilities. The benchmark was last updated in May 2023 to account for the preliminary results of the 2022 actuarial valuation.

The Fiduciary Manager monitored and reviewed the Scheme’s investments and managers on a regular basis to ensure that the investment strategy remained consistent with the Scheme’s objectives. On a quarterly basis, the Trustee reviewed the Scheme’s asset allocation, funding position and progress relative to the journey plan (the projected path to achieve the Scheme’s objective), and measures of the expected return and risk of the Scheme’s portfolio to ensure that these remained broadly consistent with the Scheme’s objectives. On a monthly basis the Trustee received an approximate update of the Scheme’s position to keep track of progress between the detailed quarterly reports.

The Trustee has a policy to ensure that the Scheme’s cashflow requirements can be readily met without disrupting its investments. Throughout the year, the Fiduciary Manager regularly monitored the level of cash in the Scheme, and cashflows into / out of the Scheme to ensure that there were sufficient assets in readily realisable investments to meet the Scheme’s requirements without disrupting its investments. The Fiduciary Manager can make adjustments to the Scheme’s allocation to cash, when necessary, within guidelines set by the Trustee. The Trustee monitored the liquidity of the Scheme’s portfolio and cashflows into and out of the Scheme on a quarterly basis.

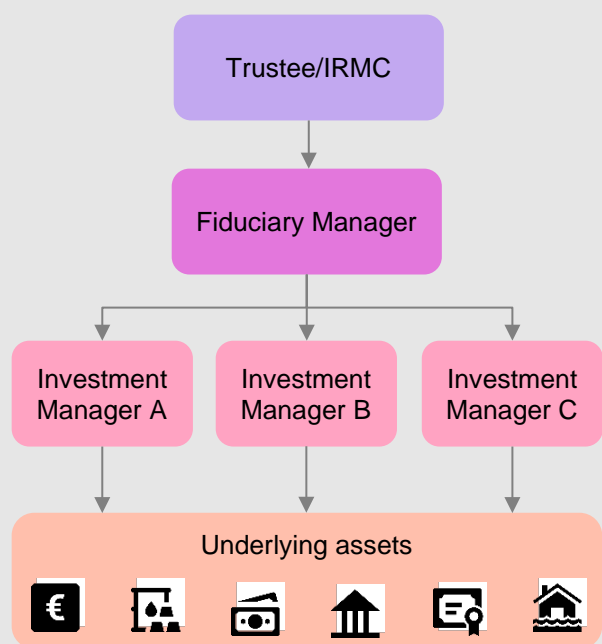
Throughout the year, the Fiduciary Manager monitored the performance of the Scheme’s investment managers. Performance was monitored relative to an appropriate market benchmark where one was available or an appropriate return objective where a market benchmark was not available. In addition, the Fiduciary Manager assessed the performance of the Scheme’s investment managers relative to peers and in the context of the prevailing market environment. The Fiduciary Manager and Trustee focus their assessment of investment manager performance on the long-term consistent with the Trustee’s position as a long-term investor.

On a forward-looking basis, past performance is only one input into the Fiduciary Manager’s assessment of an investment manager, which relies predominantly on research views based on a range of qualitative

and quantitative factors, including the consideration of Sustainable Investment, or Environment, Social and Governance factors as outlined below. Whilst there were some changes to the underlying investment managers, no managers were terminated based on short-term performance alone. Consistent with the Scheme's long investment time horizon, the Trustee seeks to be a long-term investor, and the Fiduciary Manager has appointed managers (in the majority of cases) with the expectation of a long-term relationship. This in turn allows investment managers to take a longer-term approach to investing, including engagement with issuers of debt and equity, with a view to improving investment outcomes over the long term.

The IRMC received quarterly performance monitoring reports from the Fiduciary Manager (following the transition of assets). Performance shown in these reports was based on performance reporting provided by the Scheme's Independent Performance Measurer, State Street. These reports are included for scrutiny and discussion at the IRMC quarterly meetings. The reports include details of short-, medium- and longer-term performance relative to benchmarks/targets for all funds as well as commentary on an exceptions basis regarding performance with significant deviation from benchmark/target. Throughout the year, the IRMC used these reports as an input into its ongoing assessment of the Fiduciary Manager's performance. Similar to the approach taken with the Scheme's underlying investment managers, the Trustee appointed the Fiduciary Manager with the expectation of a long-term relationship and therefore takes a long-term approach to its assessment of the Fiduciary Manager's performance.

How are the Scheme's investments managed?



Trustee - The Trustee's key objective is to ensure sufficient assets to pay members' benefits as they fall due. The Trustee retains overall responsibility for the Scheme's investment strategy but delegates some responsibilities delegates certain investment related activities to the IRMC and the Fiduciary Manager to ensure they are undertaken by somebody with the appropriate skills, knowledge and resources.

Fiduciary Manager (WTW) – The Trustee employs a Fiduciary Manager to implement the Trustee's investment strategy. The Fiduciary Manager allocates the Scheme's assets between asset class and investment managers.

Investment managers – The Fiduciary Manager appoints underlying investment managers either using a pooled vehicle or a segregated mandate where these assets are held directly in the Scheme's name. The Fiduciary Manager will look for best in class specialist managers for each asset class.

Underlying assets – The investment managers pick the underlying investments for their specialist mandate e.g. shares in a company or government bonds.

Why does the Trustee believe voting and engagement is important?

The Trustee's view is that Environmental, Social and Governance (ESG) factors can have a significant impact on investment returns, particularly over the long-term and therefore contribute to the security of members' benefits. The Trustee further believes that voting and engagement are important tools to influence these issues.

The Trustee has appointed a Fiduciary Manager who shares this view and has embedded the consideration of ESG factors, voting and engagement in its processes.

The Trustee incorporates the assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

What is the Trustee's voting and engagement policy?

When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations but has identified climate change, human and labour rights and biodiversity as key areas of focus for the Trustee.

The day-to-day integration of ESG considerations, voting and engagement are delegated to the investment managers. The Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital.

Where ESG factors are considered to be particularly influential to outcomes, the Trustee expects the Fiduciary Manager to engage with investment managers to improve their processes.

What training has the Trustee received over the year?

To ensure the Trustee is kept up to date with best practice in ESG considerations, voting and engagement, the Trustee received the following training over the year:

- Stewardship Update – September 2024

What are the Fiduciary Manager's policies?

Climate change and net zero goal

The Trustee believes Climate Change is a current priority when engaging with public policy, investment managers and corporates.

The Fiduciary Manager has a goal to achieve net zero greenhouse gas emissions across 'In Scope Solutions' by 2050. They believe the trajectory is important, so are also aiming to approximately halve emissions per amount invested by 2030.

Public policy and corporate engagement

The Fiduciary Manager employs an external stewardship service provider, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustee).

Some highlights from 2024 include:

- 994 companies engaged across regions on 4,267 issues and objectives
- 62 companies in their core programme featured engagements with the CEO or chair
- Making voting recommendations on 143,075 resolutions at 14,701 meetings, including recommended votes against 25,070 resolutions
- Participation in a range of global stewardship initiatives

Industry initiatives

The Fiduciary Manager participated in a range of industry initiatives over the year to seek to exercise good stewardship practices. Please refer to their latest UK Stewardship Code for more information:

<https://www.wtwco.com/en-gb/solutions/services/sustainable-investment>.

How does the Fiduciary Manager assess the investment managers?

Investment manager appointment - The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) at the appointment of a new manager. In 2024 the Fiduciary manager conducted engagements with over 70 managers across asset classes. They also engaged over 100 products on sustainability and stewardship. In addition, over 150 sustainability-theme strategies were researched.

Investment manager monitoring - The Fiduciary Manager produces detailed reports on the investment managers' ESG integration and stewardship capabilities on an annual basis.

Investment manager termination - The Fiduciary Manager engages with investment managers to improve their practices and increases the bar by which they are assessed as best practice evolves. The Fiduciary Manager may terminate an investment manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no investment managers were terminated on these grounds during the year.

Example of engagements carried out over the year

Core Unlisted Infrastructure Manager General ESG issue

Issue: As part of the annual ESG review, the Fiduciary Manager and the manager briefly discussed the approach to Net Zero alignment. This discussion provided insights and future plans regarding alignment with Net Zero targets.

Outcome: The manager has received positive feedback on several engagements. Some of their engagements involved integration of ESG factors at all stages of the investment process, which supported by a decision-making framework that includes both internal and independent members, ensuring adherence to all minimum requirements. Additionally, the reports were in line with the Task Force on Climate-Related Financial Disclosures (TCFD) framework, and has established policies addressing modern slavery, ESG, and inclusion & diversity. On the social side, their engagements scored well in areas such as human rights, community engagement, and inclusion & diversity.

However, there are areas that require further engagement. Currently, no material physical risk has been provided at the Fund level. The manager's engagements are not aligned with the Paris Agreement, nor committed to achieving net zero by 2050, and are not a member of Net Zero Asset Managers Initiative (NZAMI). Resource consumption is not monitored, and Global Real Estate Sustainability Benchmark (GRESB) is not supported for this asset class, which is considered too niche for GRESB, with support limited to real estate.

Emerging Market Debt Manager Environment - Climate issue

Issue: Anecdotally the manager is engaging robustly with certain issuers, but the Fiduciary Manager have asked for regular and consistent engagement reporting to evidence this and ensure the engagement is not selective/ad-hoc. The manager has been asked to start producing alignment data for the fund in line with the Net Zero Investment Framework (NZIF). This is expected to be completed by the second half of 2025.

Outcome: The manager is agreeing on a template that they believe provides sufficient evidence of ongoing actions and follow-ups. This template will be included in the quarterly reporting packs for the Fiduciary Manager. The manager has pushed for the production of alignment data, knowing that the necessary processes are already in place to gather this information.

Core Structured Credit Manager Environment - Climate issue

Issue: The manager has not yet produced asset-level climate reports for the fund, which is a minimum requirement for Sustainable Investing. The Fiduciary Manager has engaged with the manager to initiate the production of these reports.

Outcome: The Fiduciary Manager has engaged with both the investment team for the fund and the investor relations team through in-person meetings, phone calls, and emails. Where necessary, the Fiduciary Manager have urged the investment team to consider proxied carbon emissions for underlying assets when actual carbon emission data is not readily available.

The Fiduciary Manager will continue to collaborate with the manager as they work towards producing the initial climate reports for the fund. The next step involves taking the collected data and generating comprehensive written reports

What are the voting statistics we provide?

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example bonds do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity investment managers.

Responses received are provided in the following pages. The Trustee used the following criteria to determine the most significant votes:

- Trustee's stewardship priorities (climate change, human and labour rights, and biodiversity)
- Financial outcome for members, including size of holding
- High profile vote including votes not supporting company management

At the beginning of the year, the Scheme was invested in a variety of equity strategies including active management (trying to outperform the market). Since the de-risking that occurred, the Scheme no longer invests in active equity funds. At the end of the year the Scheme was invested in smart-beta (trying to incrementally outperform the market based on well-established factors such as value, growth, momentum) and passive (aiming to perform in line with the market) equity funds.

In conclusion...

The Trustee is satisfied that over the year, all SIP policies and principles were adhered and in particular, those relating to voting and engagement.

Voting data for the Multi-Asset Diversified Growth Fund

As at the end of the reporting year, the Multi-Asset Diversified Growth Fund had investments in listed companies that carry voting rights. Investment managers overseeing these investments have reported the voting activity that was carried out over the year on these investments. The dashboard below provides a summary of the key voting data for the Multi-Asset Diversified Growth Fund.

