

TAP UK Retirement Benefits Scheme

Annual Engagement Policy Implementation Statement

1 May 2022 to 30 April 2023

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (“SIP”) produced by the Trustees has been followed during the year to 30 April 2023. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

The table later in the document sets out how, and the extent to which, the policies in the SIP have been followed.

This Statement should be read in conjunction with the Scheme’s SIP (in place at the Scheme Year end and agreed by the Trustees in September 2020) which is available online.

Investment Objectives of the Scheme

The Trustees’ primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy, which was ongoing during the year under review and completed in August 2023, that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Review of the SIP

Prior to the Scheme’s fiscal year end the SIP was last reviewed and agreed in September 2020 in order to reflect the new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019. The SIP will be updated to reflect the revised investment strategy noted above.

Assessment of how the policies in the SIP have been followed for the year to 30 April 2023

The information provided in this section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees’ policies in the SIP. The policies referenced below are set out in the SIP. In the opinion of the Trustees, the SIP has been followed during the year to 30 April 2023.

	Requirement	Policy	In the year to 30 April 2023
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1	Securing compliance with the legal requirements about choosing investments	<p><i>The Trustees obtain advice from their investment adviser, who can provide expert advice enabling the Trustees to choose investment vehicles that can fulfil the Scheme's investment objectives. In the Trustees' opinion this is consistent with the requirements of Section 35 of the Pensions Act 1995.</i></p>	<p>No changes were made to the Scheme's investment strategy over the year.</p> <p>The Trustees received appropriate advice as needed in respect of the current investment strategy from their investment advisor.</p>
2	Kinds of investments to be held and balance between different kinds of risks	<p><i>The Trustees agreed to an investment strategy comprised of growth and stabilising assets.</i></p> <p><i>The growth portfolio is comprised of equities. The stabilising portfolio is composed of fixed income assets.</i></p> <p><i>The strategic asset allocation is set to achieve the expected return required within an acceptable level of risk.</i></p>	<p>The Trustees aim to review the Scheme's investment strategy following any significant changes in investment policy. There was no significant change in investment policy and therefore the strategy was not reviewed during this scheme year.</p> <p>The basis of the Trustees' strategy is to divide the Scheme's assets between a "growth" portfolio, comprising equities and a "stabilising" portfolio, comprising assets such as corporate and government bonds. The growth-stabilising allocation is set with regard to the overall required return objective of the Scheme's assets, which is determined by the funding objective and funding level. Thus, the Trustees regard the basic distribution of the assets to be appropriate for the Scheme's objectives and liability profile.</p>
3	Risks, including the ways in which risks are to be measured and managed	<p><i>The Trustees recognise risk (both investment and operational) from a number of perspectives</i></p>	<p>As detailed in Section 5 of the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes. There</p>

		<p><i>in relation to the Scheme.</i></p> <p><i>Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered, in particular whether the current risk profile remains appropriate.</i></p>	<p>was no change to investment policy during the year.</p> <p>The Trustees ensure that the overall level of risk and return is maintained by instructing the investment manager to rebalance the portfolio if the underlying assets move outside appropriate control ranges.</p>
4	Expected return on investments	<p><i>The Scheme's assets are expected to provide an investment return commensurate with the level of risk being taken.</i></p>	<p>The investment performance report is reviewed by the Trustees on an annual basis. The investment performance report includes how each fund is delivering against its performance objective. The manager appointment will be reviewed if there is a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.</p> <p>Over the 3 years to 30 April 2023, the Scheme has returned 4.5% p.a. relative to a benchmark of 4.2% p.a.</p>
5	Realisation of investments	<p><i>The Trustees' administrators will realise assets following member requests on retirement or earlier where required.</i></p> <p><i>The Trustees consider the liquidity of the investment in the</i></p>	<p>The Scheme's assets are invested in weekly dealt pooled investment vehicles.</p> <p>The disinvestment policy for meeting benefit payments consisted of disinvesting using a structured approach to rebalance the actual allocation towards the strategic allocation as far as possible.</p>

		<i>context of the likely needs of members.</i>	
6	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	<p><i>The Trustees consider financially material considerations in the selection, retention and realisation of investments. Within the funds consideration of such factors, including environmental, social and governance factors, is delegated to the investment manager.</i></p> <p><i>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i></p>	<p>The investment performance report is reviewed by the Trustees on an annual basis. The investment performance report includes how each investment manager is delivering against their specific mandates and incorporates an ESG rating for the appointed fund manager.</p> <p>Following the elevated gilt volatility experienced during late 2022, the Trustees discussed opportunities to reduce risk with the appointed investment advisor, which led to a change in strategy to be implemented during 2023.</p> <p>Section 4 of the Scheme’s SIP includes the Trustees’ policy on ESG factors, stewardship and Climate Change. This policy sets out the Trustees’ beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.</p> <p>The Trustees acknowledge that managers in fixed income do not have a high ESG rating assigned by the investment consultant due to the nature of the asset class where it is harder to engage with the issuer of debt.</p> <p>Where managers may not be highly rated from an ESG perspective the Trustees continue to monitor. When implementing a new manager they would consider the ESG rating of the manager and balance against the prospects of the fund achieving its objective.</p>
7	The extent (if at all) to which non-financial matters are taken into account in the selection, retention	<i>Member views and non-financially material issues are not currently explicitly taken into account in the selection, retention and</i>	Whilst members’ views and non-financial issues are not currently explicitly factored in, the Trustees will continue to review their position on this policy.

	and realisation of investments	<i>realisation of investments.</i>	
8	The exercise of the rights (including voting rights) attaching to the investments	<i>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i>	<p>The Trustees have delegated their voting rights to the investment manager.</p> <p>Investment managers are expected to provide voting summary reporting on a regular basis, at least annually. The reports are reviewed by the Trustees to ensure that they align with the Trustees' policy.</p> <p>The Trustees do not use the direct services of a proxy voter.</p>

Over the year, the key voting activity on behalf of the Trustees is as follows:

- LGIM – equity and bonds mandates

The voting policy of the manager is deemed to be consistent with the Trustees' investment beliefs.

LGIM uses organisations such as Institutional Shareholder Services ("ISS") and Institutional Voting Information Service ("IVIS") as well as their own research to provide proxy voting recommendations. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. LGIM also use the research reports of IVIS to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

LGIM uses a custom voting policy with specific voting instructions is in place to ensure proxy provider votes are in accordance with their own ESG position. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which they believe all companies should observe irrespective of local regulation or practice.

LGIM retain the ability to override any voting decisions. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have monitoring controls in place to ensure the votes are fully and effectively executed in accordance with their voting policies. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Following the DWP's consultation response and outcome regarding Implementation Statements ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance"), on the 17th June 2022, one of the areas of interest was the definition of a

significant vote. A Statutory Guidance was put in place, updating what constitutes a “significant vote”.

This update constituted that a significant vote is based on the Scheme’s stewardship priorities/themes. In this case, the Trustees are comfortable with aligning with the underlying manager’s voting priorities, or other significant reasons, such as size of holding (above 0.5% of the underlying fund).

In determining ‘significant votes’, LGIM takes into account the criteria provided by the Pensions & Lifetime Savings Association guidance. This includes, but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and / or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

LGIM provide information on significant votes in the format of detailed case studies in their quarterly ESG impact report and annual active ownership publications.

Details of significant votes are set out below for the Scheme’s equity fund, LGIM Global Equity Fixed Weights (50:50) Index:

- **Company:** Barclays Plc
Date: 4 May 2022
Approximate size of holding as at date of the vote: 0.50%
Topic: Climate change
Summary of the resolution: Approve Barclays’ “Climate Strategy, Targets and Progress 2022”
How LGIM voted: Against
Rationale: LGIM voted against as although positively notes the Company’s use of absolute emissions targets for its exposure in the Energy sector, as well as the inclusion of capital markets financed emissions within its methodology, LGIM has concerns that the ranges used for interim emissions reduction targets and the exclusion of US clients from the 2030 thermal coal exit falls short of the actions needed for long-term 1.5C temperature alignment. A vote against is therefore applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C.
Significance: LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

Communication of intent: LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.

Outcome: 80.8%

Implications / Next Steps: LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

- **Company:** BP Plc

Date: 12 May 2022

Approximate size of holding as at date of the vote: 1.54%

Topic: Climate change

Summary of the resolution: Approve Net Zero “From Ambition to Action” Report

How LGIM voted: For

Rationale: LGIM voted for, though not without reservations. LGIM notes the inherent challenges in the decarbonization efforts of the Oil & Gas sector, but expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. The company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remains committed to continuing their constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.

Significance: LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

Communication of intent: LGIM voted in line with management

Outcome: 88.5%

Implications / Next Steps: LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

- **Company:** Royal Dutch Shell Plc

Date: 24 May 2022

Approximate size of holding as at date of the vote: 3.41%

Topic: Climate change

Summary of the resolution: Approve the Shell Energy Transition Progress Update

How LGIM voted: Against

Rationale: LGIM voted against, though not without reservations. LGIM notes the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remains concerned of the disclosed plans for oil and gas production, and further disclosure of targets associated with the upstream and downstream businesses would be beneficial.

Significance: LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

Communication of intent: LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against

management. It is policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.

Outcome: 79.9%

Implications / Next Steps: LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

- **Company:** Amazon.com, Inc

Date: 25 May 2022

Approximate size of holding as at date of the vote: 0.54%

Topic: Human Rights

Summary of the resolution: Elect Director Daniel P. Huttenlocher

How LGIM voted: Against

Rationale: Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.

Significance: Thematic – Human Rights: LGIM views human rights as a financially material issue.

Communication of intent: LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.

Outcome: 93.3%

Implications / Next Steps: LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

- **Company:** BP Plc

Date: 27 April 2023

Approximate size of holding as at date of the vote: 1.89%

Topic: Governance

Summary of the resolution: Re-elect Director Helge Lund

How LGIM voted: Against

Rationale: LGIM voted against due to governance and board accountability concerns. Given the revision of the company's oil production targets, shareholders expect to be given the opportunity to vote on the company's amended climate transition strategy at the 2023 AGM. Additionally, LGIM notes concerns around the governance processes leading to the decision to implement such amendments.

Significance: High Profile Meeting and Engagement: LGIM consider this vote to be significant given its long-standing engagement with the company on the issue of climate.

Communication of intent: LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.

Outcome: 90.43%

Implications / Next Steps: LGIM will continue to engage with the company and monitor progress.

- **Company:** Flutter Entertainment Plc

Date: 27 April 2023

Approximate size of holding as at date of the vote: 0.54%

Topic: Diversity

Summary of the resolution: Re-elect Director Gary McGann

How LGIM voted: Against

Rationale: LGIM voted against due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least 1 female.

Significance: Thematic - Diversity: LGIM views gender diversity as a financially material issue.

Communication of intent: LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.

Outcome: 93.36%

Implications / Next Steps: LGIM will continue to engage with our investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

A summary of the voting undertaken over the year to 31 March 2023 is provided below:

- LGIM voted in 99.84% of the total 41,099 resolutions available to vote.
- Of the resolutions on which they voted on, 81.85% of the votes were with management, 18.02% were against and 0.13% were abstained from.

Over the prior 12 months, the Trustees have not actively challenged the manager on its voting activity.

9	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, Trustees would monitor and engage with relevant persons about relevant matters)	<i>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i> <i>Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.</i>	Investment managers are expected to provide reporting on a regular basis, at least annually including stewardship monitoring results. These are reviewed by the Trustees. As the Scheme invests solely in pooled funds, the Trustees require their investment managers to engage with the investee companies on their behalf. At present, the investment adviser's ESG ratings help the Trustees to understand which managers are engaging and integrating ESG issues into their investment decision making and these are reviewed on at least an annual basis. The following reflects the work undertaken by managers during the year relating to the Trustees' policy on ESG factors, stewardship and climate change: <ul style="list-style-type: none">• Legal and General Investment Management ("LGIM")
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			<p>LGIM confirmed that they are signatories of the UK Stewardship Code.</p> <p>LGIM’s voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients. Their voting policies are reviewed annually and take into account feedback from their clients. LGIM annually holds a stakeholder roundtable event where the views expressed form a key consideration as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead.</p> <p>LGIM tackles inter-connected ESG issues that materially impact the value of clients’ assets. Regular monitoring of companies assists them in identifying change. In the case of unsuccessful engagements the team will assess where problems arose and what new approach can be employed.</p> <p>All voting decisions are made by LGIM’s Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures that LGIM’s stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.</p>
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