Bespak Plc Staff Retirement Benefits Scheme
Annual Engagement Policy Implementation Statement

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) Regulations 2019 and the guidance published by the Pensions Regulator. The SIP can be found online in the following link: https://www.recipharm.com/sites/recipharm-corp/files/recipharm/about-us/locations/BespakSIP-April%202023.pdf

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows:

- To invest the Scheme's assets in order to meet the contractual benefit obligations to the Scheme's membership, as and when they fall due.
- Maximise the return on the investments without exceeding the limits of prudent pension fund investment, which over the long-term is expected to satisfy the long-term rate of return assumption adopted by the Scheme Actuary.
- Achieve a favourable return against the Scheme-specific strategy in the short-term.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ("ESG") factors, stewardship and sustainability (including climate change). During the year to 30 April 2022, the Trustees undertook a "Responsible Investment Beliefs" review and using the output refined their ESG, stewardship and sustainability policies.

The Trustees will assess these policies at least every three years, alongside their review of the SIP, and without delay after any significant change to the investment arrangements. The views of members are not currently considered by the Trustees when determining these policies but this position is kept under review.

The following work was undertaken during the year relating to the policy of the Trustees in these areas.

Engagement

- The Trustees requested that the Scheme's investment managers confirm compliance with the principles of the UK Stewardship Code. The Scheme's investment managers with a UK presence have confirmed that they are signatories of the 2020 UK Stewardship Code. Oak Hill, which does not have a UK presence, has confirmed that they are included in the T. Rowe Price Group's UK Stewardship Code report for 2022, following their acquisition in 2021.

- The Trustees review the performance of the Scheme's assets on a quarterly basis – this includes ratings (both general and specific ESG) from the investment adviser. The Trustees were comfortable with the ESG ratings assigned (by its investment adviser) to the strategies held by the Scheme. Before funding a new investment, the Trustees will consider the ESG rating assigned to the strategy by its investment adviser. The ESG ratings for each of the strategies' held by the Scheme are reviewed on a quarterly basis and, once a year, the Trustees will consider them relative to their peers. The Trustees completed their review of ESG ratings, relative to peers, during a meeting held on 6 March 2023.

- Informed by the results of the "Responsible Investment Beliefs" review, the Trustees agreed to review on an annual (rather than triennial) basis the extent to which, and the manner in which, the Scheme's managers exercise their voting rights and undertake engagement activity.

No action was taken by the Trustees in response to the aforementioned activity over the year to 30 April 2023.

Voting Activity

As the Scheme only holds pooled investments, voting rights are exercised by the investment managers appointed by the Trustees in line with their stated policies. As such, the Trustees do not make use of a proxy voting firm but expect the investment managers to report on contentious issues through its quarterly reporting and provide voting reports on request.

The Trustees' stewardship priorities are focused on:

- Climate change related resolutions, for example low carbon transition;
- Good corporate governance, in particular board diversity and independence, and diversity and inclusion policies as well as decision making.

The Trustees have deemed that, to be classed as most significant vote, a vote must be in relation to one of the Trustees' stewardship priorities and be in relation to a holding that makes up more than 0.5% of the investment fund which invests in it.

The Trustees will keep this definition under consideration based on emerging themes in internal discussions and from the wider industry. The Trustees did not inform managers of what they considered to be the most significant votes in advance of voting. Fixed income funds, given the small, if any, exposure to listed equity, are excluded from the voting activity reporting.

- LGIM – Passive World Equity Fund

LGIM's Investment Stewardship team uses Institutional Shareholder Services ("ISS") 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS's recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

Over the last 12 months, the key voting activity on behalf of the Trustees is as follows:

Fund	Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of resolutions in which the manager voted	% of votes with management *	% of votes against management *	% of votes contrary to the recommendation of the proxy adviser
World Equity Index Fund	3,145	38,823	99.9%	78.8%	20.5%	14.4%

*Source: L&G. Figures subject to rounding. The same voting activity is applicable to the currency hedged version of the fund. * Balance refers to % of resolutions from which the manager abstained from voting.*

The following votes have been deemed most significant in accordance with the Trustees' stewardship priorities and definition of significant votes, as outlined on the previous page.

Holding details	Resolution details	How the manager voted	Reason for manager's vote	Outcome of the vote	Next steps/Plans to escalate	Why is this vote classed as most significant?
Company name: Amazon.com, Inc. **Approximate size of equity holding as at date of vote:** 1.9%	**Summary of Resolution:** Elect Director Daniel P. Huttenlocher **Date of vote:** 25-05-2022	Against (LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management)	The director is a long-standing member of the Leadership Development & Compensation Committee, which is accountable for human capital management failings.	93% in Favour	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	Governance
Company name: Alphabet Inc. **Approximate size of equity holding as at date of vote:** 1.0%	**Summary of Resolution:** Report on Physical Risks of Climate Change **Date of vote:** 01-06-2022	For	LGIM expects companies to be taking sufficient action on the key issue of climate change.	18% in Favour		Climate Change – low carbon transition

Company name: NVIDIA Corporation **Approximate size of equity holding as at date of vote:** 0.9%	**Summary of Resolution:** Elect Director Harvey C. Jones **Date of vote:** 02-06-2022	Against (LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management)	LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023.	84% in Favour		Governance – board diversity
Company name: Meta Platforms, Inc. **Approximate size of equity holding as at date of vote:** 0.8%	**Summary of Resolution:** Require Independent Board Chair **Date of vote:** 25-05-2022	For	LGIM expects companies to establish the role of independent Board Chair.	17% in Favour		Governance – board independence
Company name: Exxon Mobil Corporation **Approximate size of equity holding as at date of vote:** 0.6%	**Summary of Resolution:** Set GHG Emissions Reduction targets Consistent With Paris Agreement Goal **Date of vote:** 25-05-2022	For	Absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets.	27% in Favour		Climate change – low carbon transition
Company name: JPMorgan Chase & Co. **Approximate size of equity holding as at date of vote:** 0.6%	**Summary of Resolution:** Elect Director Todd A. Combs **Date of vote:** 17-05-2022	Against (LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management)	LGIM expects companies to respond to a meaningful level of shareholder support requesting the company to implement an independent Board Chair. A vote against the re-election of Stephen Burke (Committee Chair), Linda Bammann, Todd Combs and Virginia Rometty is applied in light of the One-off time-based award and LGIM's persistent concerns about pay structures at the Company. As members of the Compensation Committee, these directors are deemed	95% in Favour		Governance – board independence

			accountable for the Company's pay practices.			
Company name: The Home Depot, Inc. **Approximate size of equity holding as at date of vote:** 0.5%	**Summary of Resolution:** Require Independent Board Chair **Date of vote:** 19-05-2022	For	LGIM expects companies to establish the role of independent Board Chair.	24% in Favour		Governance – board independence
Company name: Chevron Corporation **Approximate size of equity holding as at date of vote:** 0.5%	**Summary of Resolution:** Elect Director Michael K. Wirth **Date of vote:** 25-05-2022	Against (LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management)	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.	92% in Favour		Governance – board independence
Company name: Johnson & Johnson **Approximate size of equity holding as at date of vote:** 0.7%	**Summary of Resolution:** Elect Director Anne M. Mulcahy **Date of vote:** 27-04-2023	Against (LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management)	LGIM expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.	Not provided by the manager		Governance – board independence

Engagement Activity Examples

LGIM – Equity Holdings

LGIM is focused on meeting the Climate targets set out by the international Paris target to achieve net zero emissions by 2050. Their commitment has taken them into developing their own dedicated engagement programme – the Climate Impact Pledge – which aims to rate companies' climate disclosures and performance. This assessment tool has been made publicly available on their website (https://climatepledge-lgim.huguenots.co.uk/). Further, LGIM believes that the transparency of voting activity is critical for investee companies, clients and other interested parties to be able to hold them accountable. As such, they provide historic voting decisions and rationales on a dedicated vote disclosure website (https://vds.issgovernance.com/vds/#/MjU2NQ==/).

In June 2022, LGIM hosted their second Sustainability Summit. This global event focused on every aspect of ESG, illustrating its vital importance to LGIM, while showcasing their purpose as a responsible investor. The event was attended by around 230 clients, other stakeholders, and members of the press. External speakers included Dame Sally Davies, UK Special Envoy on Antimicrobial Resistance, the CEOs of BP and NatWest Group, and representatives from the UN and International Finance Corporation to discuss human rights.

On their Active Ownership report, LGIM highlights the companies with which they engaged the most during the year. BP Plc Inc. was the company LGIM engaged with the most, a total of 13 times. LGIM provided examples of their engagements which are described below:

Glencore – Energy Industry

Engagement: As one of the world's largest diversified mining companies, with strong exposure to metals needed to decarbonise the global economy, LGIM believe Glencore has a key role to play in the energy transition. Nevertheless, the company's exposure to thermal coal is material and, given the need to rapidly phase out coal to meet the company's own 1.5°C target, LGIM have expressed their concerns about the lack of time-bound commitments to reduce or exit this business line entirely during their six engagements with the company since 2020. LGIM welcomed the company's commitment to prioritise investments in metals that support the energy transition and to strengthen its interim emissions reduction targets.

Action taken: LGIM's concerns regarding its thermal coal exposure and future plans led them to vote against the company's climate transition plan at its 2022 annual general meeting ("AGM"). Additionally, in line with LGIM's 'engagement with consequences' approach, they identified the company as a 'leading laggard' as part of their Climate Impact Pledge programme, and applied voting sanctions against the chair at the same AGM.

Outcome: In 2022, LGIM pledged to increase pressure on companies that fail to put suitably ambitious and credible transition plans to a shareholder vote, by filing shareholder resolutions. In light of their ongoing concerns at Glencore, LGIM are putting their commitment into effect by co-filing a shareholder resolution at Glencore's 2023 AGM, requesting that the company disclose how its thermal coal production is aligned with the Paris Agreement objective of limiting the increase in global temperature to 1.5°C.

Toyota Motor Corporation – Automotive Industry

Engagement: As a member of the Asian Corporate Governance Association ("ACGA") Japan Working Group, LGIM engages with Japanese companies, such as Toyota Motor Corporation, to improve their corporate governance and sustainability practices.

At Toyota, LGIM have identified key issues around:

1. Capital allocation decisions (cross-shareholdings and insufficient investments in zero-emissions vehicles and related infrastructure); and
2. Board independence, diversity and effectiveness.

LGIM originally started their engagement with Toyota in September 2021, alongside fellow shareholders. Their second meeting was held in early 2022 to discuss climate change, board composition and capital allocation. Throughout these meetings with Toyota's investor relations team and chief sustainability officer, LGIM expressed their concerns around the company's cross shareholdings, the lack of supervisory function at the board level given the low level of independence, and the company's climate transition strategy and related public policy engagements.

Action taken: Given the company's size and influence at Japan's largest business federation and in industry associations, and since Toyota's first inclusion in their Climate Impact Pledge engagement in 2017, LGIM have questioned the company's lobbying stance and its alignment with a 1.5°C world. LGIM were delighted to see improved transparency from the company in its climate public policy published in December 2021. While LGIM consider corporate transparency a good first step, they hope that this will enable them to have more in-depth conversations on its views on climate and how the company plans to shift its strategy.

In September 2022, LGIM spoke with one of the outside directors on the board and were able to have a candid conversation about how outside directors can add value to the board and the quality of board discussions.

Outcome: Given a recent controversy at one of Toyota's group companies, LGIM will continue to engage with the company on corporate governance issues and push for better practices both in terms of corporate governance and climate strategy.

CQS – Multi Asset Credit – Mandate terminated January 2023

CQS have been focusing on analysing the environmental risks of climate change. CQS believe that the integration of the analysis of climate change is essential to evaluate risk and opportunity of returns, and to comprehend physical and transition risk, but also to gain from potential untapped opportunity. As such, CQS conducted an audit of all of their climate data in the summer of 2022 to ensure it is up-to-date. Following this, they have assessed which portfolio companies do not currently have decarbonisation targets in place. CQS have begun the CQS Climate Targeted Engagement Programme which aims to engage with all portfolio companies within the Article 8 pooled funds that do not currently disclose carbon emissions and/or do not have decarbonisation targets in place. This Targeted Engagement Programme is expected to last for two to three years and will escalate over time to encourage better disclosure and net zero alignment across the covered portfolios.

CQS engaged with a material science manufacturer, Jadex. Jadex has been working to produce sustainable products and CQS wants to see them continue making progress by committing to net zero. CQS initially discussed the idea of decarbonisation with Jadex in March 2022 and the CFO told CQS that they would be working to calculate baseline greenhouse gas emissions ("GHG") before establishing any targets. In November 2022, CQS followed up and Jadex told them that they would work towards reducing their operational impact on the planet however they did not set any specific targets. In February 2023, CQS caught up with them again and they revealed that they have released their first ESG report and announced a decarbonisation target of 10% reduction in scope 1 & 2 emissions by 2025. This is a positive first step and CQS will continue to encourage them to commit to a net zero emissions target.

Oak Hill – Multi Asset Credit – Mandate terminated January 2023

Originally launched as the iC20 (Initiative Climat 2020) in November 2015 by a group of private equity firms committed to the Paris Agreement's objective to limit global warming, iCI members commit to effectively analyse, manage and mitigate climate-related financial risk and emissions in their portfolios, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"). Oak Hill is co-leading the Global Private Debt Working Group with the Intermediate Capital Group. The objective of this engagement is to create greater transparency and uniformity in the industry to help portfolio companies estimate or measure their carbon footprint. The Global Private Debt Working Group, launched in September of 2022, will initially focus on providing sponsor backed companies with tools and resources to support their measurement and disclosure of GHG emissions. Oak Hill anticipates using the output of this work once finalised to engage with companies systematically on climate change issues including carbon emissions disclosure where financially material.

The ESG Integrated Disclosure Project ("ESG IDP") is an industry initiative bringing together leading lenders in the private credit and syndicated loan markets to improve transparency and accountability. Improving data measurement and management within the alternative credit markets was a key focus of Oak Hill in 2022, as Oak Hill believes greater disclosure, transparency, and harmonisation will help support due diligence, create more effective corporate engagement, and potentially lead to real-world outcomes. Oak Hill has, and continues to, work with broader market participants such as peers, banks, and sponsors to enhance industry collaboration across the private markets to promote consistency and disclosure of key ESG indicators from borrowers in private credit and syndicated loan transactions. An outcome of this ongoing engagement with market participants such as the Loan Syndications and Trading Association ("LSTA"), United Nations-supported Principles for Responsible Investment ("UN PRI"), and Alternative Credit Council ("ACC") resulted in the development of the ESG IDP. The ESG IDP provides borrowers with a harmonised and standardised means to report ESG information to their lenders. Use of the ESG IDP Template will streamline the disclosure process for borrowers and enable lenders to receive consistent data from sponsored and non-sponsored borrowers across the private and broadly syndicated credit markets. For investors, the ESG IDP template aims to improve the consistency of disclosure to investors, enhancing their ability to identify industry specific ESG risks (sourced from SASB Standards) in their credit portfolios and compare data across alternative asset managers more consistently. The ESG IDP Industry-specific Methodology was designed and developed by Oak Hill, and largely reflects Oak Hill's own approach to identifying credit relevant ESG factors. Oak Hill is excited to provide education and promote adoption of ESG IDP within markets and further align sponsor, lender, and investor interests. Oak Hill led this effort with other prominent investors and Jeff Cohen will serve as the Vice-Chair of the project.

In Q4 2022, Oak Hill engaged with Warner Music Group ("WMG") following a RepRisk Alert regarding sexual assault allegations. The objective of Oak Hill's engagement was to learn more about the firm's response to the allegation, understand the firm's human resources policies for handling allegations and its approach to Diversity, Equity, and Inclusion at the corporate level and how these practices are promoted/overseen at the firm's subsidiaries. Oak Hill scheduled a call with the Senior Vice President & Head of Investor Relations. WMG confirmed that the allegations date back 40 years and occurred under a different management team. The involved parties are no longer at WMG. The company discussed their compliance program, code of conduct, employee training, and incidence reporting processes. Oak Hill believes it achieved its primary goal of learning about the nature of the incident and demonstrating to the company that, even as a lender, Oak Hill takes these types of issues seriously and considers the actions of the company in response to such allegations as an important component in the decision to continue to hold the investment.