TotalEnergies UK Pension Plan

Trustee’s Annual Report for the Year ended 30 June 2021

Registered Number: 10261090

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The Trustee and Advisors to the Plan

The current Trustee is:

TOTALENERGIES PENSION TRUSTEE UK LIMITED
Registered Office:
18th Floor
10 Upper Bank Street
Canary Wharf
London E14 5BF
Company Registration Number: 04370265

The Directors of the Trustee are:

Employer Nominated

- Robert White (Chair)
- Guillaume Menabe (appointed 2 March 2021)
- Nicholas Hodgson (resigned 5 November 2021)
- Shaun Kenny
- Brice Metois
- Chris Milligan
- Janet Stevens (resigned 1 March 2021)

Member Nominated

- Melanie Cook
- James Coull
- Ben Marchant (appointed 2 March 2021)
- John Llewellyn
- Rob Slater
- Mark Tandy

Secretary to the Trustee

- Gavin Fennell

Professional Advisors

The following professional advisors have been appointed by the Trustee:

■ **Plan Actuary**	James Miller Aon Hewitt Limited Verulam Point Station Way St Albans AL1 5HE
■ **Administrators**	Buck 5th Floor, Temple Circus Temple Way Bristol BS1 6HG
■ **Auditor**	KPMG LLP 66 Queen Square Bristol BS1 4BE
■ **Banker**	NatWest Bank Plc St James & Piccadilly Branch 208 Piccadilly London W1A 2DG
■ **Global Custodian**	Northern Trust Global Services Limited 50 Bank Street Canary Wharf London E14 5NT
■ **Investment Advisor**	Lane Clark and Peacock 95 Wigmore Street London W1U 1DQ
■ **Investment Managers**	Aviva Life & Pensions UK Limited Barings LLC BlackRock Investment Management (UK) Limited BMO Asset Management Clerical Medical Investment Group Limited La Salle Investment Management Legal & General Investment Management Limited MFS Investment Management Newton Investment Management Limited (resigned 28 June 2021) Schroder Pension Management Limited (resigned 28 June 2021)
■ **Insurance Company**	Pension Insurance Corporation Canada Life
■ **Legal Advisor**	Sackers LLP 20 Gresham Street London EC2V 7JE

Principal Employer

The Principal Employer of the Plan is:
TOTALENERGIES PENSION COMPANY UK LIMITED
Registered Office:
18th Floor
10 Upper Bank Street
Canary Wharf
London E14 5BF
Company Registration Number: 01518500

Trustee's Report

Introduction

The Trustee of the TotalEnergies UK Pension Plan ("the Plan") presents the annual report and financial statements of the Plan for the year ended 30 June 2021.

The Employer's name has been changed to TotalEnergies. The revamp is accompanied by a new visual identity. The change signifies the switch of the company's strategy to becoming a broad energy business focused on the production and supply of clean energy. All participating Companies have been updated to reflect the change of name.

In July 2020, the Total Group announced the sale of the Total Lindsey Oil Refinery to the Prax Group. The sale took place in February 2021, with the active members of Total Lindsey Oil Refinery employees, joined the pensions and death benefit arrangements established by Prax Group.

There was a FAA payment from Total Lindsey Oil Refinery of £47.9m which the Plan received on 11th March 2021.

Background Information

The Plan was established on 5 June 2002 under a Definitive Trust Deed that has subsequently been amended from time to time. The Definitive Trust Deed and Rules is the complete guide to the operation of the Plan and the calculation of benefits and is the legal document governing the Plan.

The Plan has a Defined Benefit Section, which was contracted out of the State Second Pension (S2P) until April 2016, and a Defined Contribution Section, which was not contracted out. The Defined Benefit Section is closed to new entrants.

The DB section which had active members as at 31 December 2021 closed to future accrual. Consultation took place with the relevant DB membership and an introduction to the new Heritage DC sections for the active members of the DB sections at closure to be pensioned from 1 January 2022.

The Plan is a registered pension scheme with HMRC under the terms of the Finance Act 2004.

Trustee

The Trustee of the Plan is TotalEnergies Pension Trustee UK Limited. Details are shown on page 1.

In accordance with the Trustee's Memorandum and Articles of Association, the power of removing and appointing the Directors of the Trustee Company, apart from the member-nominated Directors, rests solely with the Principal Employer, Total Pension Company UK Limited, so long as the action is compliant with provisions of the Pensions Act 1995. The power of removing and appointing the Trustee itself also rests with the Principal Employer.

In line with the Pensions Act 1995, the members had elected member-nominated Directors of the Trustee Company from a group of members who stood for election. During the year two of the Trustee Directors resigned. The Board comprises five Employer-Nominated Trustee Directors and six Member-Nominated Trustee Directors. The duties of the member-nominated Directors of the Trustee Company differ in no way from those of the other Trustee Directors of the Plan.

The Trustee has the overall responsibility of ensuring that the Plan is administered in accordance with the Trust Deed and Rules and in the best interests of the members. To assist with their duties, the Trustee Directors appoint professional advisors who are listed on page 2.

As necessary, the Trustee meets with the investment advisor to review the performance of the Plan's investments and to receive their recommendations on investment policy. The Trustee also meets on other occasions to determine day-to-day administration and other matters. All Directors of the Trustee have equal voting rights.

COVID-19 and Going Concern

The Trustee regularly monitors the strength of the Employer Covenant with advice from its covenant adviser PWC. The Trustee is satisfied that, despite the COVID-19 pandemic ongoing since March 2020 the covenant available to the Plan has not been adversely impacted.

In assessing whether the financial statements for the Trustee should be prepared on the going concern basis, the Trustee has considered current market conditions and reviewed the Employer Covenant, including the impact of the COVID-19 pandemic. The Trustee has reviewed the long-term and short-term cash flow liquidity requirements and the Trustee is satisfied that these arrangements will remain in place for a period of at least 12 months from signing of the financial statements. The Trustee has recently completed the 30 June 2020 valuation with a revised Recovery Plan and Schedule of Contributions being agreed alongside increased security from the wider Employer Group. The Trustee will have continued access to adequate financial resources for a period of at least 12 months.

The Plan Actuary has estimated that the Plan had a technical provisions funding ratio of 100.5% at 30 June 2021.

On this basis the Trustee has determined that there is not a material uncertainty as to the ability of the Plan to continue as a going concern and therefore it remains appropriate to continue to adopt the going concern basis of accounting in preparing these annual financial statements.

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service to the valuation date, assessed using the assumptions agreed between the Trustee and the Principal Employer and set out in the Statement of Funding Principles, which is available to Plan members on request.

On 5 August 2021, the Trustee and Principal Employer finalised the actuarial valuation of the Plan as at 30 June 2020. This showed that at the valuation date:

The value of the Technical Provisions was: £3,610.5 million
The value of the assets at that date was: £3,296.4 million
Past service deficit £314.1million
Funding level 91%

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method with a three-year control period.

Significant actuarial assumptions for the liabilities not covered by the buy-in

Discount rate: term dependent rates set by reference to the Bank of England fixed interest gilt curve at the valuation date plus:

- 30 June 2020 to 30 June 2021: 3.0% p.a.
- 1 July 2021 to 30 June 2024: 2.0% p.a.
- 1 July 2024 to 30 June 2027: 1.8% p.a.
- 1 July 2027 to 30 June 2030: 1.6% p.a.
- 1 July 2030 onwards: 0.5% p.a.

Future Retail Prices inflation: term dependent rates derived from the Bank of England implied inflation curve at the valuation date.

Future Consumer Prices inflation: term dependent rates derived from the assumption for future retail prices inflation, less an adjustment agreed between the Trustee and the Principal Employer. At 30 June 2020 this adjustment was set such that CPI inflation was assumed to be 0.5% p.a. below RPI inflation at each term. In recognition of the reform of RPI from 2030, for assessments of the funding position from 31 March 2021 onwards, CPI inflation is assumed to be 0.6% p.a. below RPI inflation pre 2030 and 0.0% p.a. post 2030.

Pay increases: term dependent rates derived from the assumption for future retail price inflation or future consumer price inflation, plus an additional allowance depending on the business unit. These rates allow for a cap of 4% per annum (where appropriate) and the volatility of the underlying assumption for future price inflation.

Pension increases: derived from the term dependent rates for future price inflation assuming future inflation volatility of 1.7% per annum for the retail prices index and 1.6% per annum for the consumer prices index allowing for the caps and floors on pension increases according to the provisions in the Plan's rules.

Mortality: for the period in retirement, standard base tables S3PMA_ for male members and S3PFA_for female members with scaling factors dependent on the type of member and business unit. Mortality improvements applied to the base tables based on the CMI 2019 core projections with a long-term rate of improvement of 1.50% per annum, a smoothing parameter of 7.0 and an initial adjustment parameter of +0.50%.

Significant actuarial assumptions for the liabilities covered by the buy-in (where they differ from above)

Post-retirement discount rate: term dependent rates set equal to the fixed interest gilt curve at the valuation date with no further adjustments.

Pension increases: derived from the term dependent rates for future price inflation using swaps market data to allow for the caps and floors on pension increases according to the provisions in the Plan's rules.

The technical provisions funding target the Trustee agreed for the Plan meets the requirements of the Pensions Act 2004 and aims to produce a prudent reserve of money to hold against the Plan's future funding needs. The Trustee has discussed a funding plan with the Principal Employer and they have accepted the target and agreed to make the contributions. The Plan relies on the Principal Employer and its financial support to:

- pay the future expenses of running the Plan each year;
- pay the cost of members building up benefits (after allowing for their own contributions);
- make extra contributions when there is a funding shortfall; and
- put in more money if the target set for funding the Plan turns out to be too low.

Following the 30 June 2020 valuation, the following employer contributions were paid relating to the Defined Benefit Section:

- A lump sum shortfall contribution of £51.0M in January 2021;
- A one-off payment of £47.9M in February 2021; and
- For Defined Benefit Section members building up benefits in the Plan, between 28.9% and 42.1% of Pensionable Pay, depending on the Section.

A new schedule of contributions was agreed in August 2021 with employer contributions designed to meet the costs of benefits accruing, running costs and to address the shortfall. The participating employers agreed to pay:

- £36.9M in January 2022;
- £36.9M in January 2023;
- A contribution of at most £36.9M in January 2024, depending on the funding level at 30 June 2023; and
- A contribution of at most £10M in January 2025, depending on the funding level at 30 June 2023.
- Contributions for members building up benefits in the Plan continued unchanged up to 31 December 2021, when the Defined Benefit Section of the Plan closed to future accrual.
- From 1 January 2022, contributions to cover the Plan's budgeted running costs.

The participating employers also pay contributions to the Defined Contribution Section of the Plan and, for participating employers with active members in the Defined Benefit Section at 31 December 2021, the Heritage Defined Contribution Section of the Plan.

The next actuarial valuation is due no later than 30 June 2023. At this point in time, the Trustee and Principal Employer will review the actuarial method and assumptions underlying the technical provisions, as well as the adequacy of the current Schedule of Contributions.

As part of the valuation, the actuary must also look at the Plan's solvency if it started to wind up (come to an end). Assessing the position on this basis is a statutory requirement for pension schemes and does not mean that the Principal Employer is thinking of ending the Plan.

The actuary looked at whether the Plan had enough money at the valuation date to buy insurance policies to provide members' benefits. Insurance companies have to invest in 'low risk' assets, which are likely to give low returns and their policy prices will include administration charges and a profit margin. This means that even if a scheme is fully funded on the ongoing basis, the solvency figure could be much less than 100%.

If the Plan had started winding up at 30 June 2020, the actuary estimates the amount the Plan needed to ensure benefits were paid in full (the full solvency position) was, about £1,105 million higher than the assets held by the Plan. The Plan's assets covered about 75% of the estimated full solvency position.

Financial Status

The financial statements have been prepared and audited in accordance with the regulations made under Sections 41(1) and (6) of the Pensions Act 1995.

Full details of the financial progress of the Plan's investments are contained in the Investment Report of this report.

Membership

There are three main groups of members with an interest in the Plan. These are:

- current contributing or "active" members in service;
- deferred pensioners (people who have left the Plan and had their benefits preserved under the Plan); and
- pensioner members.

Changes in Membership

The following table sets out the changes in membership over the Plan year:

	Active Members		Deferred Members		Pensioner Members	
	Defined Benefit Section	Defined Contribution Section	Defined Benefit Section	Defined Contribution Section	Defined Benefit Section	Defined Contribution Section
Members at 30 June 2020	410	2,007	3,914	1,991	7,728	-
Adjustments	(8)	(14)	(6)	29	(1)	-
Adjusted members	402	1,993	3,908	2,020	7,727	-
Plus						
New entrants	-	138	140	540	292	-
Less						
Vested leavers	(143)	(521)	-	-	-	-
Non-vested leavers	-	(1)	-	-	-	-
Child leavers	-	-	-	-	(7)	-
Retirements	(10)	(10)	(177)	(9)	-	-
Transfers out	-	(27)	(43)	(76)	-	-
Deaths	-	(1)	(6)	(1)	(289)	-
Commutations	-	-	(6)	-	-	-
Members at 30 June 2021	249	1,571	3,816	2,474	7,723	-

Adjustments are made due to late notification of movement. Included within the pensioner members at 30 June 2021 are 6,049 (2020: 6,353) pensioners whose pensions are paid from annuities held in the name of the Trustee.

Pensions

All pension increases were in accordance with the Trust Deed and Rules of the Plan and were between nil and 5.0% depending on the Plan Section. There were no discretionary increases awarded during the period. Deferred pensions were increased in accordance with statutory requirements.

Transfers Out

Transfers out are calculated and verified in the manner required by the Pensions Schemes Act (PSA) 1993 and were not less than the amount provided for by S97(1) of PSA 1993.

Investment Policy and Management (excluding AVC assets)

The Trustee has delegated the day to day management and custody of Plan investments (excluding AVCs) to the investment managers and global custodian listed on page 2.

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustee which incorporated the Investment Strategy. A copy of the statement is included within the appendix.

Additional Voluntary Contributions (AVCs)

Members may supplement their benefits from the Plan by making additional voluntary contributions.

Employer Related Investments

None of the Plan's investment funds held exposures in employer related investments.

The Plan has not breached the statutory limit of 5% maximum self-investment at any time throughout the year.

Data Protection

The Trustee and the Plan Actuary hold personal information about members and beneficiaries under the Plan and are regarded as Data Controllers for data protection purposes. They will use the personal data for the purposes of administering the Plan efficiently and for the purposes of calculating and settlement of benefits as and when due and to determine the contribution levels. They are required to look after personal data in accordance with legal requirements. This means that they are responsible for deciding what personal information needs to be processed and the way in which that information is processed.

In processing personal data, they may need to pass personal information about members and beneficiaries, to the Plan's administrators, auditors, legal advisers, insurers and such third parties as may be necessary for the purposes of the Plan. Full details of the types of personal data that are held, how the information is used and who it is shared with are set out in the privacy notice. The privacy notice also sets out the rights of those whose personal data is held, and who to contact to exercise those rights, make a complaint, or generally raise any questions. A copy of the current privacy notice is available from the Secretary to the Trustee at the below address.

GMP Equalisation

In October 2018, the High Court determined that Guaranteed Minimum Pensions ("GMP") for contracted-out pension schemes must be equalised between men and women in respect of service between May 1990 and April 1997. Employers have had to provide equal pensions to males and females since 17 May 1990, however, the State defined the level of GMP differently for males and females and this, combined with different increases in payment, means that in payment the pensions are unlikely to be equal. The Trustee is working with its advisers to understand the implication of this Ruling on the Plan and the equalisation of guaranteed minimum pensions between men and women in the context of the rules of the Plan and the value of any additional liability. The Company included an allowance of 0.5% of the value of accrued liabilities in its corporate accounts at 31 December 2018. However, this was just an estimate at that stage in the absence of final calculations. The Trustee has undertaken further work in relation to GMP equalisation over 2020, namely as listed below:

- The estimated cost of GMP equalisation has been allowed for in the actuarial valuation as at 30 June 2020. The initial results of this valuation are currently under discussion between the Trustee and the Principal Employer.
- A project is currently underway to make an allowance for GMP equalisation in the Plan's transfer values. Given the size and complexity of the Plan, this will be implemented in stages by the Plan administrator, starting from early 2021.
- The Trustee is currently considering GMP equalisation for the wider Plan. Further discussions around the data required to complete this work and the choice of equalisation methodology are scheduled for 2021.

Once a more detailed review has been completed and any backdated amounts quantified, the Trustee will formally communicate with members on this issue.

On 20 November 2020, the High Court published a further judgement in the case of Lloyds Banking Group Pensions Trustees Limited focussing on the treatment of historic transfers out, where GMP equalisation adjustment is potentially needed. The judgement requires schemes to:

- equalise all transfers with 17 May 1990 – 5 April 1997 GMPs, even if they were taken as long ago as 1990
- pay a top-up to the receiving scheme with interest at Bank base rate +1%

The Trustee will investigate the financial impact of this judgement in due course.

Further Information

Any internal disputes that need to be resolved in relation to the TotalEnergies UK Pension Plan should be referred to:

Gavin Fennell
Secretary to the Trustee
TotalEnergies UK Group Pensions Department
18th Floor
10 Upper Bank Street
Canary Wharf
London E14 5BF
gavin.fennell@totalenergies.com

Questions about the information in this report, or about entitlement to benefits, or the Plan in general (including complaints), should also be sent to Gavin Fennell at the address above.

Statement of Trustee's Responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Plan members, beneficiaries and certain other parties, audited financial statements for each Plan year which:

(i) show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Plan, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Plan prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Plan and financial information included on the Plan's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Trustee: -

Trustee Director: Signed by:Rob White
Date:19.01.2022 14:31:54
GMT
Package:CB684D2ADDC0 Date:

Trustee Director: Date:

Statement of Trustee's responsibilities in respect of contributions

The Plan's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the Employer and the active members of the Plan and the dates on or before which such contributions are to be paid. The Plan's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Plan and for monitoring that contributions are made to the Plan in accordance with the schedule.

Trustee's Summary of Contributions payable under the Schedules in respect of the Plan year ended 30 June 2021

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Plan under the Schedules of Contributions certified by the actuary on 17 September 2019 and 31 December 2020 in respect of the Plan year ended 30 June 2021. The Plan Auditor reports on contributions payable under the Schedules in the Auditor's Statement about Contributions.

Contributions payable under the Schedules in respect of the Plan year	**£m**
Employers:	
normal contributions	29.9
deficit funding contributions	51.0
additional contributions	49.8
Members:	
normal contributions	1.2
Contributions payable under the Schedules (as reported by the Plan Auditor)	131.9

Reconciliation of contributions

Reconciliation of contributions payable under the Schedules of Contributions reported in the financial statements in respect of the Plan year:

	£m
Contributions payable under the Schedules (as above)	131.9
Contributions payable in addition to those due under the Schedules:	
Members' additional voluntary contributions	1.4
Total contributions reported in the financial statements	133.3

Signed on behalf of the Trustee: -

Trustee Director: Signed by:Rob White Date:19.01.2022 14:32:13 GMT Package:CB684D2ADDC0 Date:

Trustee Director: Date:

Defined Contribution (DC) Governance Statement
From 1 July 2020 to 30 June 2021

Chair's DC Governance statement, covering 1 July 2020 to 30 June 2021

1. Introduction and members' summary

The **TotalEnergies UK Pension Plan** (the "Plan") is an occupational pension scheme providing defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk). A number of members of the DB Section, who have paid Additional Voluntary Contributions ("AVCs") on a DC basis, also have AVCs in the Plan.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustee Directors of the Plan, are required to produce a yearly statement (signed by the Chair of Trustee) covering:

- the design and oversight of the auto-select (default) investment strategies, the Drawdown Lifestyle for the main DC Section benefits and the Cash Lifestyle for the DB AVC Section (ie where contributions are invested for members that do not wish to choose their own investments);
- processing of core financial transactions (ie administration of the Plan, such as investment of contributions);
- the charges and transaction costs borne by members for the default options and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- how the value members obtain from the Plan is assessed; and
- Trustee knowledge and understanding.

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitor the investment arrangements, and we are satisfied that the auto-select arrangements and other investment options remain suitable for the membership.
- We began a review of the auto-select arrangement for the DC Sections on 30 June 2020 and concluded this review on 8 June 2021, with the changes being implemented in October 2021, after the Plan year end.
- Based on the outcome of the strategy review, we concluded that the auto-select arrangements for the DC and DB AVC Sections continue to be appropriate to meet the long and short-term investment requirements of the majority of members.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that these fees are reasonable given the circumstances of the Plan and represent value for the benefits members obtain.
- Please rest assured that we are looking after your best interests as members, and we undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

2. Default arrangements

The Plan is used as a Qualifying Scheme for automatic enrolment purposes. This means that it is used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

We have made available a range of investment options for members. Members who join the Plan and who do not choose an investment option are placed into the Drawdown Lifestyle (the "auto-select arrangement"). We recognise that most members do not make active investment decisions and instead invest in the auto-select arrangement. After taking advice, we decided to make the auto-select arrangement a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

A second investment option available within the Plan is also classified as a default. This is the Cash Lifestyle, which is the default or "auto-select" lifestyle arrangement for the DB AVC section held with L&G.

DC members that are 5 years from their selected retirement age and with pots smaller than £25,000 at that point are moved automatically from the Drawdown Lifestyle into the Cash Lifestyle. We agreed to remove this automatic switching mechanism after the Plan year end at the Trustee meeting on 8 September 2021.

We are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangements.

Details of the objectives and our policies regarding the auto-select arrangements can be found in a document called the 'Statement of Investment Principles' ("SIP"). The Plan's SIP covering the auto-select arrangements is available using the following link:

https://www.totalukpensionplan.info/documents/.

The aims and objectives of the auto-select arrangements, as stated in the SIP, are as follows:

The auto-select arrangements are structured to maintain a reasonable and diverse exposure to growth assets, as well as a provision for the taking of a tax-free cash lump sum, at retirement. They are designed to be broadly appropriate for a typical member within the Plan, but it will not be suitable for all members.

The auto-select arrangements are reviewed at least every three years. The last review began on 30 June 2020 and was concluded on 8 June 2021. The performance and strategy of the auto-select arrangements were reviewed to ensure that investment returns (after deduction of any charges) have been consistent with the aims and objectives of these arrangements as stated in the SIP, and to check that they continue to be suitable and appropriate given the Plan's risk profiles and membership.

We are satisfied that the default strategy remains suitable for members and that the retirement targets of both auto-select arrangements remain appropriate due to the analysis of the Plan's membership and outcome projections. However, we have concluded some enhancements can be made to the auto-select arrangements. These updates were implemented in October 2021, after the Plan year end.

We agreed to make the following changes to the investment strategy to target improved outcomes for Plan members.

- Introduce a new Growth Fund, which will replace the Global Equity Fund, into the growth phase of the auto-select strategies that will utilise underlying funds that favour stocks with better ESG credentials by investing more in companies with proven lower carbon emissions.

- Introduce a new Lump Sum Fund, which will replace the Cash Fund within the final 5-years for each of the auto-select strategies to provide a more appropriate balance between protecting member investments close to retirement whilst providing a level of expected return that will give moderate protection against inflation.
- Introduce a new Climate-Aware Passive Equity Fund that invests passively in global equities and has an objective to reduce carbon emission intensity, which will be made available as part of the self-select fund range.

In addition to the triennial strategy review we also review the performance of the auto-select arrangements against their objectives on a quarterly basis. This review includes performance analysis to check that the risk and return levels meet expectations. Our reviews over the Plan year concluded that the auto-select arrangements were performing broadly as expected.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrator of the Plan - Buck. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Plan, transfers of assets between different investments within the Plan, and payments to members/beneficiaries.

We recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in the Plan, which may in turn reduce their propensity to save and impair future outcomes. We have received assurance from Buck that there are adequate internal controls to ensure that core financial transactions for the Plan are processed promptly and accurately.

The Plan has a service level agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core financial transactions. The key processes adopted by the administrator to help it meet the SLA are as follows:

- preparation of a quarterly administration report which is presented to the Trustee and includes performance against SLAs covering timeliness for core transactions;
- a task-logging system which is reviewed daily for forthcoming workloads, with tasks allocated daily;
- daily review of bank balances by the treasury team;
- monthly cash reconciliation; and
- peer review of all monetary transactions with authorisation required from a senior administrator or team leader (transactions less than £250,000) or 2 senior administrators and/or team leaders (transactions over £250,000), with each transaction reviewed and released for payment by a treasury administrator under final authorisation by the Administration Manager (or more senior staff).

To help us monitor whether service levels are being met, we receive quarterly reports about the administrator's performance and compliance with the SLA. Any issues identified as part of our review processes would be raised with the administrator immediately, and steps would be taken to resolve the issues. There were no issues or member complaints over the Plan year to 30 June 2021.

Based on our review processes, we are satisfied that over the period covered by this Statement:

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions have been processed promptly and accurately to an acceptable level during the Plan year.

Core financial transactions for legacy Additional Voluntary Contributions ("AVC") providers

There were legacy AVC investments with eight providers in the Plan during the year:

- Aviva;
- Clerical Medical;
- Halifax;
- MGM Assurance;
- Phoenix Life;
- Prudential;
- Utmost Life and Pensions ("Utmost"); and
- Zurich.

We have requested information from these providers in relation to the processing of core financial transactions.

Utmost

For the legacy AVC arrangements with Utmost the Trustee does not have an individual service level agreement ("SLA") in place with the administrator; as Utmost does not provide specific service level agreements. However, Utmost has confirmed that it has its own internal service level standards which cover the accuracy and timeliness of all core transactions and has pledged to complete tasks on receipt of requests:

- 95% of payments within 5 days;
- 95% of benefit illustrations within 10 days; and
- 90% of all general servicing within 10 days.

In addition, Utmost has produced a detailed statement, which confirms that it has a system of internal controls for ensuring its effectiveness. Although the system is designed to manage rather than eliminate the risk of failure, it provides reasonable assurance to the Trustee against material loss or misstatement.

The key processes adopted by Utmost to help it meet its internal SLAs are as follows:

- Utmost has internal standards which ensure that staff are properly trained, qualified, supervised and monitored;
- Staff are encouraged to enhance their skills and knowledge by also attending external training courses where appropriate;
- Administration procedure manuals are regularly reviewed and updated;
- Both automated and manual processes and work are subject to checking and/or regular quality sampling; and
- Utmost conducts a data review exercise on an annual basis. It also updates its data when it receives new information from the Trustee.

We receive copies of the members' annual benefit statements and reporting on the Plan information, including details of the members, any transactions and fund values. Reporting from Utmost includes annual updates of upcoming retirements during the Plan year. All transactions (e.g. retirement quotations, transfer quotations) are sent by Utmost to the Trustee to communicate to the member. This allows the Trustee to monitor that transactions are accurately performed within the agreed target turnaround performance standards for different activities specified under Utmost's internal service level standards.

The assets invested in the Utmost Secure Cash Fund transitioned into the Utmost Money Market Fund over a three month period from 1 July 2020. In line with advice we received from our investment advisors, all of the Plan's assets invested with Utmost were transferred to the Cash Lifestyle on 4 November 2020.

Prudential

Prudential has confirmed that it has the following processes in place to help it meet its service level targets and ensure core financial transactions are processed promptly and accurately:

- employing a central financial control team separate from the main administration team;
- peer checking and authorisation of payments;
- daily monitoring of bank accounts;
- daily checking and reconciliation of member unit holdings;
- employing a dedicated contribution processing team; and
- reporting of late contributions.

Prudential has transitioned from its previous transactional reporting method, in which each request made by the member had an individual SLA, to 'End to End' reporting, which means that performance is measured against the total time taken to deal with a work item, from the day of receiving it through to the closure date of the work item. Prudential is only able to show end to end performance at the platform level at present but is in the process of enhancing this to show Plan level results.

Aviva, Clerical Medical, Halifax, MGM Assurance, Phoenix Life and Zurich

We have requested information on the processing of core financial transactions from Aviva, Clerical Medical, Halifax, MGM Assurance, Phoenix Life and Zurich. However, as at 5 November 2021, this information has not been received. We will continue to liaise with each of these providers via its administrator to obtain this information.

4. Member-borne charges and transaction costs

We are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges exclude administration costs, since these are not met by the members.

We are also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by the Legal & General ("L&G") who is the Plan's investment platform provider. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. We have shown any negative figures in the tables for the year as provided, but for the costs and charges illustrations we have used zero where a transaction cost is negative to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

Default arrangements

The auto-select arrangement for the DC Section is the Drawdown Lifestyle. The auto-select arrangement has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

Drawdown Lifestyle (auto-select arrangement for the DC Section) charges and transaction costs

Years to target retirement date	TER	Transaction costs
25 or more years to retirement	0.08%	0.00%
20 or more years to retirement	0.12%	0.04%
15 years to retirement	0.17%	0.09%
10 years to retirement	0.21%	0.13%
5 years to retirement	0.26%	0.17%
At retirement	0.27%	0.17%

At 5.5 years before a members' target retirement date, if they have a pot size of under £25,000, they will be switched into the cash lifestyle strategy which has an alternative de-risking phase. Members with pot sizes over £25,000 will remain in the drawdown lifestyle. The Cash Lifestyle strategy is also offered to members who are in the AVC arrangements with L&G. The Cash Lifestyle is also the auto-select arrangement for the DB AVC section. We made the decision to remove this mechanism after the end of the Plan year on 8 September 2021.

Cash Lifestyle (auto-select arrangement for the DB AVC Section) charges and transaction costs

Years to target retirement date	TER (pa)	Transaction costs
25 or more years to retirement	0.08%	0.00%
20 years to retirement	0.12%	0.04%
15 years to retirement	0.17%	0.09%
10 years to retirement	0.21%	0.13%
5 years to retirement	0.26%	0.17%
At retirement	0.11%	0.01%

Self-select options

In addition to the DC Section auto-select arrangement, members also have the option to invest in two other lifestyles, the Annuity Lifestyle, which targets annuity purchase and the Cash Lifestyle, and several other self-select funds. The annual charges for the lifestyle targeting cash withdrawal during the period covered by this Statement are set out in the table above. The annual charges for the Annuity Lifestyle during the period covered by this Statement are set out in the table on the next page:

Annuity Lifestyle charges and transaction costs

Years to target retirement date	TER (pa)	Transaction costs
25 or more years to retirement	0.08%	0.00%
20 years to retirement	0.12%	0.04%
15 years to retirement	0.17%	0.09%
10 years to retirement	0.21%	0.13%
5 years to retirement	0.26%	0.17%
At retirement	0.06%	0.03%

The level of charges for each self-select fund (including those used in the auto-select arrangement) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the DC Section auto-select arrangement are shown in **bold**.

Self-select funds with L&G charges and transaction costs

Fund name	TER (pa)	Transaction costs
Global Equity Fund	0.08%	0.00%
Overseas Equity Fund	0.09%	-0.01%
UK Equity Fund	0.05%	-0.01%
Ethical Equity Fund	0.70%	0.11%
Corporate Bond Fund	0.07%	0.00%
Fixed Interest Gilt Fund	0.04%	0.04%
Index-Linked Gilt Fund	0.04%	0.02%
Diversified Multi-Asset Fund	0.32%	0.23%
Cash Fund	0.11%	0.01%

Legacy AVC options

Legacy AVC fund charges and transaction costs

Manager - Fund name	TER (pa)	Transaction costs
Utmost – Secure Cash Fund*	0.50%	0.00%
Utmost – Managed Fund	0.75%	0.12%
Utmost – Money Market Fund	0.50%	0.00%
Utmost – UK FTSE All-Share Tracker Fund	0.50%	0.09%

** The Secure Cash Fund was set up as a temporary fund to facilitate the initial transition of asset from Equitable Life and Pensions to Utmost. The Secure Cash Fund closed on 31 December 2020, as such the most recent transaction costs available are for the period 1 January 2020 to 31 December 2020.*

We have requested information on TERs and transaction costs from Aviva, Clerical Medical, Halifax, MGM Assurance, Phoenix Life and Zurich. However, as at 5 November 2021, this information has not been received. We will continue to liaise with each of these providers via its administrator to obtain this information.

Illustration of charges and transaction costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, we had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.

- The transaction cost figures used in the illustration are those provided by the managers over the past three years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past three years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Plan year.
- The illustration is shown for the auto-select arrangement (the Drawdown Lifestyle) since this is the arrangement with the most members invested in it and also in respect of the Cash Lifestyle, as the auto-select arrangement for members' AVCs, as well as four funds from the Plan's self-select fund range. The four self-select funds shown in the illustration are:
  - the fund with the highest before costs expected return – this is the UK Equity Fund
  - the fund with the lowest before costs expected return – this is the Index-Linked Gilt Fund
  - the fund with highest annual member borne costs – this is the Ethical Equity Fund
  - the fund with lowest annual member borne costs – this is the Fixed Interest Gilt Fund

Projected pension pot in today's money

	Auto-select arrangement		Cash Lifestyle		UK Equity Fund		Index-Linked Gilt Fund		Ethical Equity Fund		Fixed Interest Gilt Fund	
Years invested	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs	Before costs	After costs
1	£5,600	£5,600	£5,600	£5,600	£5,600	£5,600	£5,300	£5,300	£5,600	£5,600	£5,400	£5,400
3	£9,000	£9,000	£9,000	£9,000	£9,100	£9,100	£7,900	£7,900	£9,000	£8,800	£8,100	£8,100
5	£12,600	£12,600	£12,600	£12,600	£12,800	£12,800	£10,400	£10,400	£12,600	£12,300	£10,800	£10,800
10	£22,800	£22,700	£22,800	£22,700	£23,600	£23,500	£16,100	£16,000	£22,800	£21,700	£17,200	£17,200
15	£35,000	£34,700	£35,000	£34,700	£36,600	£36,400	£21,200	£21,100	£35,000	£32,400	£23,300	£23,200
20	£48,900	£48,300	£48,900	£48,300	£52,500	£52,200	£25,800	£25,500	£49,400	£44,700	£29,000	£28,900
25	£64,100	£62,800	£64,100	£62,800	£71,800	£71,300	£29,900	£29,500	£66,500	£58,700	£34,500	£34,300
30	£80,300	£77,700	£80,300	£77,700	£95,300	£94,500	£33,600	£33,100	£86,900	£74,600	£39,600	£39,400
35	£96,900	£92,400	£96,900	£92,400	£123,900	£122,600	£36,900	£36,300	£111,000	£92,800	£44,500	£44,200
40	£110,500	£103,700	£103,500	£97,900	£158,800	£156,800	£39,800	£39,100	£139,700	£113,600	£49,100	£48,800

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £4,000. This is the approximate average (median) pot size for active members of the Plan aged 25 years and younger (rather than using a whole membership average, we have taken this approach to give a more realistic 40-year projection).
- The projection is for 40 years, being the approximate duration that the youngest Plan member has until they reach the Plan's Normal Pension Age.
- The starting salary is assumed to be £18,000. This is the approximate median salary for active members aged 25 or younger.
- Total contributions (employee plus employer) are assumed to be 8.0% of salary per year. This is the minimum total contribution that members receive based on auto-enrolment minimums.
- The projected annual returns used are as follows:
- Auto-select arrangement: 3.5% above inflation for the initial years, gradually reducing to a return of 0.8% above inflation at the ending point of the lifestyle.
- Cash Lifestyle: 3.5% above inflation for the initial years, gradually reducing to a return of 1.5% below inflation at the end point of the lifestyle.

- UK Equity Fund: 4.0% above inflation
- Index-Linked Gilt Fund: 2.2% below inflation
- Ethical Equity Fund: 3.5% above inflation
- Fixed Interest Gilt Fund: 1.1% below inflation

- An allowance for active management outperformance has been made within the Diversified Multi-Asset Fund.

5. Value for members assessment

We are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of ‘good value’ which means that determining this is subjective. Our general policy in relation to value for member considerations is set out below.

We review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Plan. The date of the last review was: 17 November 2021. We note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. Our investment advisers have confirmed that the fund charges are competitive for the types of fund available to members.

Our assessment included a review of the performance of the Plan’s investment funds (after all charges and transaction costs) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives.

In carrying out the assessment, we also consider the other benefits members receive from the Plan, which include:

- our oversight and governance, including ensuring the Plan is compliant with relevant legislation, and holding regular meetings to monitor the Plan and address any material issues that may impact members;
- the design of the auto-select arrangements and how this reflects the interests of the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services, such as the Plan website where members can access fund information online; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

As detailed in the earlier section covering the processing of core financial transactions, we are comfortable with the quality and efficiency of the administration processes.

This summary sets out our rating and the high-level rationale behind it. We have chosen a rating ranging from poor, fair, good to very good.

- **Charges –** Very good – the Company meets the majority of the costs of administering and running the Plan. The costs borne by members are very competitive.
- **Administration –** Good – we are confident that the administration service provided by Buck is of a good standard.
- **Governance –** Very good – the Pensions Team and Trustee Directors are very committed to the Plan and how it is run.
- **Communications –** Very good – communications are clear, tailored and informative.
- **Auto-select (default) investment arrangement –** Very good – the auto-select (default) investment strategy targets drawdown at retirement. We concluded a default strategy review over the Plan year and concluded that the retirement target of the auto-select (default) investment arrangement continues to be suitable for the majority of members and is achieving its stated objectives.
- **Investment range –** Very good – The fund range is broad and members are offered multiple lifestyles, each targeting a different retirement option. There is also a specialist ethical fund option available within the fund range. Following a

review over the Plan year, we remain satisfied that the fund range is sufficient, appropriate, not duplicated, and all funds are white-labelled with clear names.

- **At-retirement services –** Good – we are in the process of setting up a post-retirement Master Trust solution with L&G which will enhance the offering to members.
- **Plan design –** Very good – the Company and Trustee's commitment to the Plan is strong and demonstrated in the design and contributions. Contributions remain generous and members are provided with a large degree of contribution flexibility.

We believe that the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and expect this to lead to greater investment returns net of costs over time.

Overall, we believe that members of the Plan are receiving very good value for money for the charges and cost that they incur, for the reasons set out in this section. We aim to improve value for members in future through taking the following steps:

- continuing to monitor the administration services provided by Buck;
- implementing the agreed enhancements for the auto-select arrangements and wider fund range; and
- implementing the post retirement solution.

6. Trustee knowledge and understanding

We are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively. We have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this Statement, we received training on the following topics:

- Regulators update on combatting pension scams (Providers by the Plan's lawyers, Sackers, and the Plan's administrator, Buck, in February 2021);
- Pension Scheme Act 2021 (Providers by the Plan's lawyers, Sackers, in May 2021) and:
- Additionally, we receive updates on topical pension issues from our investment advisers.

We are familiar with and have access to copies of the Plan's governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan, and the SIP is formally reviewed annually and as part of making any change to the Plan's investments. Further, we believe that we have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil our duties.

We are required to commit to completing the training, either at the relevant meetings or by personal study. All the Trustee Directors have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of pension schemes meet the minimum level of knowledge and understanding required by law). Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Plan year.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date. Additionally, the Plan has in place a structured recruitment and induction process for new Trustees. Candidates interviewing for Trustee positions are required to complete the regulator's toolkit before being appointed. Over the Plan year there was one new Trustee Director who received training after the Plan year in October 2021, but within six months of their appointment. This was provided by Aon, the Plan's actuarial advisers.

We hold ad-hoc training days when there is sufficient material to cover. Training needs is an item on each meeting agenda to allow us to identify any knowledge gaps by being asked whether they would benefit from any specific training and we are made aware of external seminars that are relevant for us as Trustees of the Plan, and which we can attend outside of TotalEnergies. Ad-hoc training is provided as and when required. If a new topic is raised at a meeting, training will be provided as required prior to discussion or a decision being made. Specific training on Trustee Board and scheme Management skills has been provided to the Trustee Directors as mentioned above.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustee Directors of the Plan properly and effectively.

Signed by:Rob White
Date:19.01.2022 14:32:21
GMT
Package:CB684D2ADDC0

______________________________________ Date: __________________

Signed by the Chair of Trustee of the TotalEnergies UK Pension Plan

Investment Report

Introduction

Over the year under review, the investments of the TotalEnergies UK Pension Plan (the "Plan") were managed by Legal & General Investment Management Limited ("LGIM"), MFS International (UK) Limited ("MFS"), Newton Investment Management ("Newton"), LaSalle ("LaSalle"), BlackRock Investment Management (UK) Limited ("BlackRock"), Schroder Investment Management Limited ("Schroders"), Barings Asset Management Limited ("Barings") and BMO Asset Management ("BMO").

In addition, the Trustee has entered bulk annuity contracts with Pension Insurance Corporation and Canada Life to insure benefit payments linked to the Plan's pensioner members.

1. Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been produced by the Trustee following consultation with the Employer. The SIP was last reviewed and updated in June 2020. The Trustee reviews the SIP at least once every three years, and after any significant change in investment strategy. The Employer, the appointed Investment Consultant, and the appointed Scheme Actuary are consulted during the review. A copy of the latest SIP is available on request.

2. Investment strategy

The broad investment objectives are agreed by the Trustee, having consulted with the Employer. Within the context of these risk and return objectives, the Trustee, taking advice from the Plan's investment consultants, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

The following tables detail the Defined Benefit ("DB") Section asset distribution at the financial year end by fund, including the bulk annuity policy, but excluding the AVC funds, which are summarised in the Defined Contribution ("DC") Section below, the Trustee bank account, and details of the strategic allocation as set out in the Statement of Investment Principles. Figures may not sum due to rounding.

Fund	Asset class	Allocation as at 30 Jun 21 (£m)	Allocation as at 30 Jun 20 (£m)
LGIM All Stocks Index-Linked Gilts Fund	Government bonds	38.8	40.4
LGIM Over 15yr Index-Linked Gilts Index Fund	Government bonds	471.2	433.6
LGIM 2047 Gilt Fund	Government bonds	24.1	-
LGIM 2055 Gilt Fund	Government bonds	24.0	-
LGIM 2065 Gilt Fund	Government bonds	24.4	-
LGIM Sterling Liquidity Fund	Government bonds	15.6	25.6
LGIM World Equity Index Fund	Equities	25.6	117.9
MFS Global Concentrated Fund	Equities	224.3	177.3
Newton Equity Fund	Equities	159.5	175.4
LaSalle Property Fund	Property	114.1	122.4
BlackRock Dynamic Diversified Growth Fund	Diversified growth	104.2	117.3
Schroders Dynamic Multi Asset Fund	Diversified growth	106.1	116.0
Barings Global High Yield Credit Strategies	Multi-asset credit	89.9	-
BMO Equity-linked bonds	Equity-linked bonds	355.8	266.9
Annuities / Buy-ins		1,537.0	1,758.2
Total		**3,314.6**	**3,351.0**

Source: Northern Trust, AON.

Asset class	Strategic allocation (%)
Government bonds	30.0
Equities	20.0
Diversified growth	14.0
Property	10.0
Equity-linked bonds	21.0
Multi-asset credit	5.0
Total	**100.0**

The DB Section's target asset allocation changes, as the Trustee has gradually been increasing the allocation to bonds to reflect the growth in the value of the pensioner liabilities.

For performance measurement purposes, the strategic allocation to equities has decreased gradually to fund the increased allocation to bonds.

Material changes to the investments during the year ended 30 June 2021 are set out below:

Over the year, the DB Section funded a new allocation to a multi-asset credit mandate with Barings using proceeds from sales of LGIM Equities and the Schroders and BlackRock diversified growth mandates. Later in the Plan year, some of the planned de-risking from equities to gilts was accelerated in order to capture some improvements in the Plan's funding position. This involved disinvestments from the DB Section's Equity holdings to increase government bond, including the introduction of some individual gilt fund holdings, and an increase to the equity-linked bond holdings. There was a small reduction to the LaSalle portfolio due to disposals in the underlying properties. These changes are reflected in the June 2020 version of the SIP.

The DB Section's investment strategy was reviewed again in June 2021. Following this review, it was agreed in July 2021 (i.e. after this accounting period) to adopt a revised strategic asset allocation. The most notable change was to decrease the equity and diversified growth allocations significantly further in favour of government bonds. This reflected material improvements to the Plan's funding position since 31 March 2020.

There were no material departures from the SIP over the Plan year. The most significant departure was that property remained c3% underweight relative to its strategic allocation. The Trustee decided not to rebalance this allocation given its view on the outlook of the asset class. This was addressed as part of the investment strategy review in June 2021.

3. Investment performance

The performance of the investment managers is reviewed periodically at Investment Committee and Trustee meetings. The following table shows the performance of the DB Section assets over the one, three and five year periods to 30 June 2021, based on the performance of the investment managers before the deduction of fees.

	One year ending 30 Jun 21 (%)	Three years ending 30 Jun 21 (% pa)	Five years ending 30 Jun 21 (% pa)
DB Section of the Plan	9.2	8.1	9.0
Benchmark	8.1	7.8	9.1

Source: Northern Trust.

4. Transaction costs

The Trustee is aware that indirect transaction costs will be incurred within the pooled fund holdings and the cost of these are reflected in each fund's unit price and in their reported performance.

For the DB Section's sole investor arrangements, with BMO, LaSalle and Newton we have provided a summary of direct transaction costs over the year in the table below:

Asset class	Transaction costs (£)	Transaction costs (%)
Equities (segregated)	47,960	0.03
Property	59,064	0.05
Equity-linked bonds	48,849	0.01
Total	**155,873**	**0.09**

5. Remuneration of investment managers

The Plan pays fees to each of the investment managers based on their assets under management. In addition, for the Newton equity mandate, there is an extra performance related fee of 20% of outperformance delivered.

In addition to the annual management charges paid by the Plan, there are custody costs, paid directly to Northern Trust, the Plan's asset custodian and there may be further expenses incurred in the management of each fund which will be reflected in each pooled fund's unit price and performance.

6. Custody of assets

The underlying assets are held by a number of custodians who have agreements with the investment manager of the assets. There is no direct relationship between the investment managers' custodians and the Trustee.

The Trustee has a direct relationship with Northern Trust only. The Trustee reviews from time to time the procedures and controls operated by the custodian.

7. Investment management

The overall management of the Plan's investments is the responsibility of the Trustee. However, the day-to-day management of each mandate is delegated to each investment manager and bulk annuity provider, who operate within the guidelines of their specific mandates.

8. Investment principles

Trustee's policies in relation to voting rights

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, can protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issues of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debtor equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time reviews how these are implemented in practice.

Trustee's policies on environmental, social and governance ("ESG") and ethical factors

The Trustee has considered how environmental, social, governance ("ESG") and ethical factors should be considered in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) in the selection of investments. The Trustee seeks to appoint managers or select funds where there are appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee does not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

Trustee's policy on the implementation of asset manager arrangements

Before investing in any manner, the Trustee obtains and considers appropriate written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

The Trustee has limited influence over each manager’s investment practices where the Plan’s assets are held in pooled funds, but it regularly reviews those practices and encourages its managers to improve their practices where appropriate.

The Trustee‘s view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, incentivises the manager to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all of their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee’s responsibility to ensure that the managers’ investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee’s policy is to evaluate each of its investment managers by reference to the manager’s individual performance as well as the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager’s remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan’s investment mandates.

The Defined Contribution Section (DC Section)

The DC and DB AVC Sections of the Plan are invested via the Legal & General Platform and the funds are managed by LGIM, BlackRock, Schroders and BMO. These funds are mostly managed on a passive basis which means the investment performance of the funds is expected to be in line with the return of the corresponding market index. The two diversified growth funds, which are used within the Diversified Multi-Asset Fund, and the fund underlying the Ethical Equity Fund, are actively managed, which means the manager makes active fund decisions to achieve a particular return or risk objective.

The DC fund range consists of the following funds:

- Total Global Equity Fund
- Total UK Equity Fund
- Total Overseas Equity Fund
- Total Ethical Equity Fund
- Total Corporate Bond Fund
- Total Index-Linked Gilt Fund
- Total Fixed-interest Gilt Fund
- Total Diversified Multi-Asset Fund
- Total Cash Fund

The amount invested in each fund at 30 June 2021 are shown in the following tables.

DC Section

Funds	Asset class	Allocation as at 30 Jun 21 (£m)	Allocation as at 30 Jun 20 (£m)
Total Global Equity Fund	Equities	202.8	165.6
Total UK Equity Fund	Equities	4.4	3.3
Total Overseas Equity Fund	Equities	16.1	10.7
Total Ethical Equity Fund*	Equities	1.0	0.3
Total Corporate Bond Fund	Bonds	1.9	1.7
Total Index-Linked Gilt Fund	Bonds	2.5	2.9
Total Cash Fund	Bonds	7.8	7.7
Total Fixed Interest Gilt Fund	Bonds	0.6	1.0
Total Diversified Multi Asset Fund	Diversified growth	101.7	84.4
Total		**338.8**	**277.4**

DC Performance

Under the Pensions SORP investment performance is required to be disclosed. As at the date the Trustee's report and financial statements were approved, this information was not available from the investment advisor and has not been included.

DB AVCs

Funds	Asset class	Allocation as at 30 Jun 21 (£m)	Allocation as at 30 Jun 20 (£m)
Total Global Equity Fund	Equities	4.1	3.4
Total UK Equity Fund	Equities	0.7	0.6
Total Overseas Equity Fund	Equities	0.8	0.7
Total Corporate Bond Fund	Bonds	0.1	0.1
Total Index-Linked Gilt Fund	Bonds	0.2	0.3
Total Cash Fund	Bonds	2.2	2.4
Total Fixed Interest Gilt Fund	Bonds	0.0	0.1
Total Diversified Multi Asset Fund	Diversified growth	3.0	2.6
Total		**11.1**	**10.2**

Employer related investments as at 30 June 2021

As at 30 June 2021 there were no assets invested in Employer-related investments in the Plan, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

Implementation Statement, covering 1 July 2020 to 30 June 2021

The Trustee of the TotalEnergies UK Pension Plan (the "Plan") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the year, as well as details of any review of the SIP during the year and subsequent changes made with the reasons for the changes, and the date of the last SIP review. This needs to cover information for the defined benefit ("DB") and defined contribution ("DC") Sections of the Plan, and also covers Additional Voluntary Contributions ("AVC") benefits in respect of DB members ("AVC Section"). Information is provided on the recent reviews of the SIP in Section 1 and on the implementation of the SIP in Sections 2-9 below.

The Implementation Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 10.

The Implementation Statement is set out in an equivalent order to how the Trustee has set out its SIP.

1. Introduction

The SIP was not updated during the Plan year (last updated June 2020), although some changes to the investment arrangements were made and are being reflected in a SIP update which is currently ongoing.

The Trustee has, in its opinion, followed the policies within the Plan's SIP during the year. The following Sections provide detail and commentary about how, and the extent to which, it did this.

2. Investment objectives

2.1 DB investment objectives

Progress against the Trustee's objectives and the Plan's funding position is reviewed as part of the quarterly performance monitoring reports. The Trustee is also able to view the progress on an ongoing basis using its investment advisers', LCP's, online analysis tool LCP Visualise.

As at 30 June 2021, the Plan was ahead of the funding position projected from the previous Actuarial Valuation, principally because the growth in the value of the Plan's invested assets exceeded expectations.

2.2 DC investment objectives

The Trustee began the review of the auto-select (default) investment strategies for the DC Sections (the Drawdown Lifestyle for main DC Section benefits and the Cash Lifestyle for the AVC Section) on 30 June 2020, the review was concluded on 8 June 2021 and it was implemented in October 2021 (which is after the end of the Plan year covered by this Implementation Statement). This review also considered the range of alternative strategies and funds that members may choose from. As part of this review, the Trustee considered the DC and AVC Section membership demographics, projected pot sizes at retirement and the variety of ways that members have drawn and may draw their benefits from the Plan.

Based on the outcome of the strategy review, the Trustee concluded that the relevant default strategies continue to be appropriate to meet the long and short-term investment requirements of the majority of DC and AVC Section members.

However, the Trustee agreed to introduce two new funds into the lifestyle strategies. Further detail is covered in section 3.2 below.

The Drawdown Lifestyle is the default arrangement for the DC Section, while the Cash Lifestyle is the default arrangement for the DB AVC Section. DC members that are 5.5 years from their selected retirement age and with pots smaller than £25,000 at that point are moved automatically from the Drawdown Lifestyle into the Cash Lifestyle. While the Trustee reviewed this mechanism during the Plan year covered by this Implementation Statement, it agreed to remove this automatic switching mechanism after the Plan year end; at the Trustee meeting on 8 September 2021.

3. Investment strategy

3.1 DB investment strategy

During May 2020, the Trustee agreed to appoint Barings to manage a new allocation to multi-asset credit. An allocation of 5% of the Plan's invested assets was agreed, funded by disinvestments from the Plan's equity and diversified growth holdings. Implementation of the new mandate took place over three tranches and was completed in Q3 2020.

In May 2021, the Trustee agreed to replace the existing LaSalle direct UK property mandate with an indirect long lease property mandate (also managed by LaSalle). It was agreed that the new mandate will be funded gradually as the existing mandate is wound down. As at 30 June 2021, the Trustee was in the process of agreeing final paperwork with LaSalle to implement the new mandate.

At the end of the year, the Trustee was considering adjusting the regional equity allocation of the BMO equity-linked bonds portfolio. A new allocation was agreed at the Trustee meeting on 13 September 2021.

The Plan's funding position improved significantly over the year. As such, the Trustee undertook a review of the investment strategy in June 2021, with a view to significantly de-risking the investment strategy. A revised strategic asset allocation was agreed, subject to consultation with the Sponsor. This consultation took place in July 2021 and the revised allocation was subsequently implemented.

3.2 DC investment strategy

The Trustee, with the help of LCP, completed its review of the performance of the Plan's lifestyle strategies on 8 June 2021. The Trustee concluded, based on analysis of actual retirement data, member demographics and projected pot sizes at retirement, that drawdown remains appropriate as the default for DC Section members, and that a cash lump target continues to be appropriate for AVC Section members. Following its review, the Trustee made the following changes to the investment strategy (this was implemented after the Scheme year covered by this Implementation Statement).

- A new Growth Fund, which replaces the Global Equity Fund in the growth phase of the lifestyle strategies. The new Growth Fund will utilise underlying funds that favour stocks with better ESG credentials by investing more in companies with proven lower carbon emissions.
- A new Lump Sum Fund, which replaces the Cash Fund within the final 5-years for each of the lifestyle strategies to provide a more appropriate balance between protecting member investments close to retirement whilst providing a level of expected return that will give moderate protection against inflation.
- A new self-select Climate-Aware Passive Equity Fund that invests in global equities that have a lower carbon emission intensity.

These changes are being reflected in an updated SIP for the Plan.

The Trustee provides members the option to choose either of the two lifestyles mentioned above or the Annuity Lifestyle, which targets an annuity purchase at retirement. All three lifestyle strategies were considered as part of the strategy review and it was concluded that they remain appropriate based on the expected needs of the Plan's DC members.

As part of this strategy review the Trustee confirmed that all of the Plan's lifestyle strategies, including the default arrangements, were adequately and appropriately diversified between different asset classes and that the self-select options provided a suitably diversified range to choose from.

The Trustee also offers a range of self-select fund options, as set out in the Investment Policy Document, which cover a range of major asset classes and include an ethical equity option. Following the strategy review, the Trustee continues to believe the range of funds offered are suitable and enable appropriate diversification, covering all major asset classes.

As part of the implementation of the agreed strategy changes, the Trustee has written to members and reminded them to review their investment holdings and check they are suitable for their risk tolerances and retirement planning.

The Trustee has considered the performance of the lifestyle strategies and the self-select funds compared to their benchmark returns on a quarterly basis over the Plan year. No significant issues with the DC fund managers were identified in the quarterly reporting that the Trustee received from its adviser.

The Trustee also reviewed changes in member choices, behaviour and trends, using LCP Horizon over the Plan year.

4. Considerations in setting the investment arrangements

When the Trustee reviewed the DB investment strategy in June 2021, it considered the investment risks set out in Appendix A of the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The DC strategy review in June 2020 was carried out against the background of the investment risks set out in Appendix A of the SIP. The Trustee also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

5. Implementation of the investment arrangements

The Trustee's Investment Committee met with LaSalle on 25 September 2020 and 23 March 2021, to discuss a revised property mandate, namely an indirect long lease property portfolio. As mentioned above, subsequently the Trustee agreed that the Plan's existing property mandate should be terminated to fund the new long lease property mandate.

The Trustee rebalanced the investment strategy towards its strategic asset allocation in December 2020, March 2021 and April 2021 (with the latter using the company annual deficit contribution to rebalance the asset allocation). In each case this involved selling overweight equities and purchasing gilts hence slightly de-risking the Plan's investment strategy.

In March 2021, the Trustee's Investment Committee interviewed potential new active equity managers for the Plan's active equity arrangements. After the Scheme year end, the Investment Committee has proposed a new manager, Baillie Gifford & Co. be appointed alongside MFS.

LCP monitors the investment managers on an ongoing basis, through regular research meetings. It monitors any developments at managers and informs the Trustee promptly about any significant updates or events it becomes aware of with regard to the Plan's investment managers that may affect the managers' ability to achieve their investment objectives. This includes:

- any significant change to the investment process or key staff for any of the funds the Plan invests in;
- any material change in the level of diversification in the portfolio; and
- any change in ownership, particularly if this could lead to a change in the manager's investment process. For example, LCP updated the Trustee on the proposed acquisition of BMO by Columbia Threadneedle, confirming that it did not view this as reason to take any action on the BMO allocation.

The Trustee regularly invites the Plan's investment managers to present at Investment Committee meetings, seeing each manager approximately once a year. Over the period, the Investment Committee met with LGIM, BMO, LaSalle, Schroders and BlackRock to discuss the Plan's investments.

The Trustee monitors the performance of the Plan's investment managers on a quarterly basis, using LCP's quarterly performance monitoring reports. The reports show performance over a variety of short and longer term periods up to 5 years. Performance is considered in the context of the manager's performance benchmark and investment objectives.

As part of its review of the Plan's DC investment strategy on 30 June 2020, the Trustee received an assessment by LCP of the ongoing suitability of its DC investment platform provider, Legal & General. This review confirmed that in LCP's view Legal & General remains suitable based on an assessment of criteria including: its commitment to the market; investment capabilities; and systems infrastructure.

Over the period, the Trustee undertook a value for members assessment in respect of the Plan's DC arrangements, which assessed a range of factors, including the fees payable to managers in respect of the DC assets. The ongoing charges and transaction costs were found to be reasonable when compared against schemes with similar size mandates.

6. Realisation of investments

The Trustee reviews the Plan's DB net current and future cashflow requirements at quarterly meetings. The Trustee's preference is for investments that are readily realisable but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property). To assist with cash flow management, the Trustee has a holding in LGIM's liquidity fund, which is topped up from time to time and is an efficient way for the Trustee to disinvest when it requires cash to meet benefit outgo from time to time. Over the year, the Trustee also used cashflow to help rebalance the Plan's DB assets towards the strategic asset allocation, as described in Section 3.

All of the DC funds which the Trustee offers are daily priced and daily traded, enabling members to realise and change their investments effectively.

7. Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, LCP incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

The Trustee has a framework that it typically requires investment managers to follow when presenting to the Investment Committee. This includes a requirement to explain "how ESG factors are taken into account in the investment process". During the year, the Trustee asked questions about the managers' ESG and voting and were satisfied with the answers it received. The Trustee interviewed potential new active equity managers in March 2021 and explicitly considered ESG as part of this process.

The Trustee received training from LCP on the latest requirements for the "Task Force on Climate-Related Financial Disclosures" reporting, which will include reporting on the carbon exposure of the Plan's assets. The Pensions Regulator expects the Plan to comply with these requirements by October 2022.

Within the DC Section, the Trustee recognises that some members may want ethical matters to be taken into account in their investments and therefore, as mentioned in the SIP, it has made available the Ethical Equity Fund as a self-select investment option for members.

As set out in Section 3.2, the Trustee agreed to implement a new Growth Fund that utilises underlying funds that favour companies with proven lower carbon emissions. The Trustee also agreed to add a new fund, the Climate-Aware Passive Equity Fund that invests in global equities that have reduced carbon emissions. These changes were implemented after the Plan year end.

8. Investment governance, responsibilities, decision-making and fees (Appendix B of SIP)

As mentioned in Section 5, the Trustee assesses the performance of the Plan's investments and each of the appointed investment managers on an ongoing basis, as part of the quarterly monitoring reports it receives.

The Trustee has put in place formal objectives for LCP and reviews LCP's performance against these objectives on a regular basis.

The performance of other professional advisers is considered on an ongoing basis by the Trustee.

The Trustee has established several sub committees to monitor certain aspects of the Plan. The Trustee has agreed clear terms of references for these sub-committees.

9. Policy towards risk (Appendix A of SIP)

Investment risks are monitored on an ongoing basis with the help of LCP.

A key objective of the Trustee for the DB section is that, over the long-term, the Plan should have adequate resources to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Plan to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Plan's assets and liabilities diverge in certain financial and economic conditions in the short term. This risk has been considered in setting the investment strategy.

The Trustee considered the risk of inadequate long-term returns as part of the investment strategy review of the DB Section in June 2021. Also considered as part of this review was the risk of the performance of the DB section's assets and liabilities diverging, as well as the Plan's exposure to credit risk.

With regard to the risk of inadequate returns for DC members, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns in excess of inflation over the long term. These are used in the growth phase of the two default options (the Drawdown Lifestyle for main DC Section members and the Cash Lifestyle for AVC Section members) and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

The risk of the Plan's buy-in insurer failing to pay benefits has been mitigated by the selection of a reputable insurer, ongoing monitoring of the provider by LCP, and the negotiation of a collateral arrangement with the insurer.

The Trustee considers overseas currency exposure in the context of the overall investment strategy and believes that the currency exposure that exists diversifies the strategy and is appropriate.

Together, the investment and non-investment risks set out in Appendix A of the SIP give rise generally to funding risk for the DB Section. The Trustee reviews the Plan's funding position as part of its annual actuarial report and in more detail triennially in the Actuarial Valuation, which reflects changes in the membership, financial conditions and other experience. The Trustee also monitors the approximate progression of the funding position on a quarterly basis, at Trustee meetings. The Trustee Directors have the ability to monitor this daily, if required, using LCP Visualise.

The following risks are covered earlier in this Implementation Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

10. Description of voting behaviour during the year

The Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee does not direct how individual votes are exercised and the Trustee itself has not used proxy voting services over the year.

In this Section we have sought to include voting data on all of the Plan's funds that hold equities. These are:

- **BlackRock** Diversified Growth Fund.
- **BMO** Responsible Global Equity Fund
- **LGIM** World Equity Index, Global Equity Market Weight (40:60) Index and Hybrid Property (70:30) Fund.
- **MFS** Global Concentrated Equity Fund.
- **Newton** Global Equity Fund.
- **Schroders** Dynamic Multi-Asset Fund.

The Plan's equity-linked bond mandate obtains equity exposure by investing in equity derivative contracts and, this form of investment does not confer voting rights to the Plan.

For the DC Section, we have included the funds with an equity holding used in the main DC Section default strategy given the high proportion of DC Section assets invested in these funds. In addition, we have also included the BMO Responsible Global Equity Fund, the underlying fund for the Ethical Equity Fund, which incorporates responsible investment factors, recognising that members choosing to invest in this fund may be interested in this information.

In addition to the above, the Trustee contacted the Plan's other investment managers, either in the DB Section or the DC default strategy, that do not hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the period. Commentary provided from these managers is set out in Section 10.4.

10.1 Description of the voting processes

The Trustee notes the following statements made by each manager describing its voting process.

BlackRock

"*The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Our voting guidelines are market-specific to ensure we take into account a company's unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets.*

We welcome discussions with our clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. Our voting guidelines are intended to *help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our vote decisions through research and engage as necessary.*

If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy ourselves, but the client would engage a third-party voting execution platform to cast the votes.

"BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesize corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritize those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

In summary, proxy research firms help us deploy our resources to greatest effect in meeting client expectations

- *BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed*
- *We use proxy research firms in our voting process, primarily to synthesize information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritize those companies where our own additional research and engagement would be beneficial*
- *We do not follow any single proxy research firm's voting recommendations and in most markets, we subscribe to two research providers and use several other inputs, including a company's own disclosures, in our voting and engagement analysis*
- *We also work with proxy research firms, which apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision*
- *The proxy voting operating environment is complex and we work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting"*

BMO

"Our specialist governance team has an average industry experience of 13 years. Workflow is structured on a regional rather than sectoral basis, reflecting how governance standards are rooted in local company law and best practice codes. We deploy our specialist governance team on the most complex and sensitive cases, and partner with ISS to deliver voting on the more simple, routine votes through the careful and consistent application of detailed in-house voting policies.

In certain cases, vote decisions are arrived at through consultation with the internal investment teams. In addition, controversial high-profile meetings can be escalated to the Proxy Working Group, which contains representatives from each part of BMO Global Asset Management's business.

Engagement reinforces the voting process, including:
- Active engagement with key companies ahead of the vote
- After the vote, we actively inform companies of the reasons for voting against or abstentions
- Consultation with companies on voting matters outside of shareholder meetings

For regional or local high-profile issues, we pro-actively advise our clients on our intention to vote well in advance of the meeting. Our clients then have the option to state their preference and vote differently. Clients receive detailed vote reports including vote comments. In addition, full vote reports are online, including reasons for our decisions."

LGIM

"All decisions are made by LGIM's Investment Stewardship team and in accordance with our 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 our 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.

LGIM's Investment Stewardship team uses ISS's '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. Our use of ISS recommendations is purely to augment our 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 we receive from ISS for UK companies when making specific voting 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. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. 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 us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

For more information, please refer to our policy document on the topic: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf"

MFS

"MFS maintains its own publicly available proxy voting policies and procedures (the MFS Proxy Policies), which guide all of our proxy voting decisions and provide a framework for voting decisions at approximately 2,000 meetings in over 50 markets each year. The exercise of voting rights is overseen by the MFS Proxy Voting Committee, which consists of eight senior members of MFS' Investment, Legal and Global Investment Support departments.

The day-to-day management of our proxy voting and engagement activity is performed by our proxy voting team, which consists of three dedicated proxy voting analysts. While many voting issues fall within the scope of our policies, many votes require a case-by-case analysis by the proxy voting team. As an active manager, we are able to combine the collective expertise of our proxy voting team with the unique perspectives and experience of our global team of investment professionals. This process enables us to formulate viewpoints with multiple inputs, which we believe leads to well-informed voting decisions. As a result, when considering certain types of votes for which the MFS Proxy Voting Policies and Procedures do not provide explicit guidance, the proxy voting team and the investment team typically collaborate in assessing the voting matter.

Our proxy voting team will engage in a dialogue or written communication with a company or other stakeholders when we believe that the discussion will enhance our understanding of certain matters on the company's proxy statement that are of concern to shareholders or regarding certain thematic topics of focus for our proxy voting committee. Some of the issues we discuss with company management teams, board members and/or other company representatives include executive compensation, director accountability, as well as various environmental, social and governance issues. When engaging with companies, the proxy voting team aims to: (i) explain the rationale behind our proxy votes; (ii) exchange views on relevant ESG issues; and (iii) potentially effect positive change with respect to such issues.

All proxy voting decisions are made in what we believe to be the best long-term economic interests of our clients.

MFS have entered into an agreement with Institutional Shareholder Services, Inc. (ISS) to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions. While they also receive research reports and vote recommendations from ISS and Glass, Lewis & Co., Inc., MFS analyzes all proxy voting issues within the context of the MFS Proxy Policies, which are developed internally and independent of third-party proxy advisory firms. MFS' voting decisions are not defined by any proxy advisory firm benchmark policy recommendations. MFS has due diligence procedures in place to help ensure that the research we receive from our proxy advisory firms is accurate and to reasonably address any potentially material conflicts of interest of such proxy advisory firms."

Newton

"Our head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, we may confer with the company or other interested parties for further clarification or to reach a compromise or to achieve a commitment from the company.

Voting decisions are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence. It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

We employ a variety of research providers that aid us in the vote decision-making process, including proxy advisors such as ISS. We utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares as we believe executive pay should be aligned with performance."

Schroders

"As active owners, we recognise our responsibility to make considered use of voting rights. We therefore vote on all resolutions at all AGMs/EGMs globally unless restricted from doing so (e.g. as a result of share blocking).

We evaluate voting issues arising at our investee companies and, where we have the authority to do so, vote on them in line with our fiduciary responsibilities in what we deem to be the interests of our clients. We utilise company engagement, internal research, investor views and governance expertise to confirm our intention

We receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into our voting decisions. In addition to relying on our policies we will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

It is important to stress that our own research is also integral to our final voting decision; this will be conducted by both our financial and ESG analysts. For contentious issues, our Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

We continue to review our voting practices and policies during our ongoing dialogue with our portfolio managers. This has led us to raise the bar on what we consider 'good governance practice.'

10.2 Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below. This table does not include assets without voting rights or all of the self-select only funds in the DC section, and so the total £ amounts will not equal that of the overall Plan.

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
Manager name	BlackRock	BMO	LGIM	LGIM	LGIM
Fund name	Diversified Growth Fund	Responsible Global Equity Fund	World Equity Index	Global Equity Market Weights (40:60) Index	Hybrid Property (70:30) Fund
Total size of fund at end of reporting period	£1,900.0m	£1,252.4m	£3,793.3m	£261.5m	£864.8m
Value of Total's assets at end of reporting period (£ / % of total assets)	£104.2m (DB) £26.2m (DC)	£1.0m (DC)	£25.5m (DB) £15.7m (DC)	£225.5m (DC)	£5.2m (DC)
Number of equity holdings at end of reporting period	655	50	2,501	2692	337
Number of meetings eligible to vote	952	52	2,906	3,553	376
Number of resolutions eligible to vote	11,779	682	35,448	43,690	4,149
% of resolutions voted	99.0%	97.2%	99.9%	99.9%	100.0%
Of the resolutions on which voted, % voted with management	93.0%	83.3%	81.0%	83.0%	82.3%
Of the resolutions on which voted, % voted against management	6.0%	16.7%	18.2%	16.3%	17.7%
Of the resolutions on which voted, % abstained from voting	1.0%	0.2%	0.8%	0.7%	0.1%
Of the meetings in which the manager voted, % with at least one vote against management	34%	72.0%	74.0%	69.2%	68.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%	15.1%	12.8%	11.5%	12.6%

	Fund 6	Fund 7	Fund 8
Manager name	MFS	Newton	Schroders
Fund name	Global Concentrated Equity Fund	Global Equity Fund	Dynamic Multi Asset Fund
Total size of fund at end of reporting period	£549.6m	£159.0m[1]	£564.1m
Value of Total's assets at end of reporting period (£ / % of total assets)	£224.3m (DB)	£159.0m[1] (DB)	£106.1m (DB) £26.2m (DC)
Number of equity holdings at end of reporting period	27	41	860
Number of meetings eligible to vote	27	47	808
Number of resolutions eligible to vote	474	823	11,246
% of resolutions voted	100.0%	100.0%	96.9%
Of the resolutions on which voted, % voted with management	89.5%	85.9%	88.3%
Of the resolutions on which voted, % voted against management	10.6%	14.1%	8.5%
Of the resolutions on which voted, % abstained from voting	0.2%	0.0%	1.6%
Of the meetings in which the manager voted, % with at least one vote against management	51.9%	49.0%	57.8%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/A[2]	10.4%	5.3%

[1]TotalEnergies UK Pension Plan invests in this strategy on a segregated basis.

[2]MFS does not actively track this information.

10.3 Most significant votes over the year

Commentary on the most significant votes over the period from the Plan's asset managers who hold listed equities is set out below. For each of the managers, we have included the details of three "significant" votes, as defined by each investment manager.

The following information on significant votes has been provided by each manager.

BlackRock

During the period 1 July 2020 to 30 June 2021, BlackRock Investment Stewardship (referred to as "BIS" below) periodically published detailed explanations of specific key votes in "vote bulletins". These bulletins are intended to explain the vote decision, including the analysis underpinning it and relevant engagement history when applicable, on certain high-profile proposals at company shareholder meetings. BlackRock makes this information public shortly after the shareholder meeting, so clients and others can be aware of their vote determination when it is most relevant to them. BlackRock considers these vote bulletins to contain explanations of the most significant votes for the purpose of the Shareholder Rights Directive II. BlackRock provided details of thirteen "significant votes" in response to our request. The first three votes they have indicated as significant are detailed here:

Tesla, September 2020

Summary of resolution – Elect Director Robyn Denholm

How they voted - Against

Outcome – Approved

Rationale – BlackRock voted against Director Robyn Denholm for insufficient board oversight of management. BlackRock is concerned that the company's pledging policy is not sufficiently robust, particularly given the significant number of shares committed by Mr. Musk. The company's stock pledging policy states that directors and executive officers may pledge or use their company stock (exclusive of options, warrants, restricted stock units or other rights to purchase stock) as collateral for loans and investments, provided that the maximum aggregate loan or investment amount collateralized by such pledged stock does not exceed 25% of the total value of the pledged stock. Tesla's management monitors compliance with this policy by reviewing and, if necessary, reporting to the board or its committees the extent to which any officer or director has pledged shares of company stock. Since pledging represents a margin loan secured by company stock, theoretically large price declines in the stock could automatically trigger margin calls and ultimately result in significant selling pressure on the stock.

According to the proxy statement, Mr. Musk has approximately 18.5 million shares pledged as collateral (~46% of the shares owned by Mr. Musk) to secure certain personal indebtedness. Because the amounts drawn from the credit line are not disclosed, external parties are not able to determine compliance with the company's policy; this is why the board confirms with each individual that they are in compliance with the policy. While the company assured BlackRock that Mr. Musk is following the stock pledging policy, the quantum pledged as collateral is considerable. Given Mr. Musk's social media communications, the significant percentage of equity pledged by Mr. Musk and the unique structure of the directors' and officers' liability insurance policy, BlackRock remains concerned that there is insufficient board oversight of management.

The Procter & Gamble Company, October 2020

Summary of the resolution – Report on Efforts to Eliminate Deforestation

How they voted – For

Outcome – Approved

Rationale –While BlackRock recognizes the company's efforts to date towards enhancing their sustainability and monitoring disclosure reports, we determined that there is room for Proctor & Gamble to improve the frequency and depth of disclosure.

As a long-term investor, the reputational and operational risks faced by companies being implicated in deforestation allegations is concerning to BlackRock. BlackRock views improper land use and management that contributes to deforestation as an inherent ESG risk for companies in certain sectors in which we invest on behalf of our clients. BIS believes that companies with material E&S dependencies and impacts need to demonstrate high standards of operating practices. BIS expect companies to disclose, preferably on an annual cycle, how the material E&S risks and opportunities in their business model might affect their long-term strategy, capital expenditure, operations, and thus financial performance.

BlackRock determined that incorporating detailed Task Force on Climate-related Financial Disclosures and Sustainability Accounting Standards Board aligned metrics in its annual Citizenship Reports would be useful for investors, and other stakeholders, to understand how P&G is identifying, assessing, and managing climate-related risks and opportunities, in particular, potential material weaknesses in their palm oil supply chain management or the forestry management and harvesting practices of their local suppliers.

Australia & New Zealand Banking Group, December 2020

Summary of the resolution – Transition Planning Disclosure

How they voted – For

Outcome – The proposal was not adopted

Rationale – The independent fiduciary reported that it took into consideration BlackRock's voting guidelines, and noted Australia & New Zealand Banking Group's ("ANZ") stated ambition to align to the goals of the Paris Agreement and that the company has provided disclosures in relation to the management of its climate change risk and exposure to fossil fuel assets. The independent fiduciary also reported that a growing number of studies raise concerns about the significant stranded asset risks in thermal coal investments. Many financial services firms have, as a result, signalled that they are considering phasing out their financing of thermal coal. As such, the independent fiduciary came to the conclusion that the proposal is in line with shareholder and market expectations, therefore it would be useful to investors for ANZ to disclose a timeline detailing its expectations to phase out some fossil fuel exposures by 2030.

BMO

BMO selects significant votes based on one or more criteria, including:
- Materiality of issues and the impact on shareholder value;
- Votes against the recommendation of the Board;
- Value/size of the shareholding relative to the total portfolio;
- The materiality of the vote to engagement outcomes
- Size of holdings in the company;

BMO defer to their specialist governance team on the most complex and sensitive votes, and partner with ISS to deliver voting on the more simple, routine votes through the careful and consistent application of detailed in-house voting policies. BMO provide clients with detailed vote reports that include comments on resolutions where they voted against management. Full reports and explanations for their votes are publicly available on their website.

BMO provided details on their most significant votes, three of which are detailed here:

Microsoft Corporation., December 2020

Summary of resolution – Ratify Deloitte & Touche LLP as Auditors

How they voted – Against

Outcome – Approved

Rationale – The company has engaged the same audit firm for more than 20 years. There is value for investors in gaining new perspectives on finances and controls. Companies that have had the same auditor for a long period of time should consider a plan or tender process for bringing in a new auditing firm, ideally every 10 years.

A. O. Smith Corporation, April 2021

Summary of resolution – Advisory Vote to Ratify Named Executive Officers' Compensation

How they voted – Against

Outcome – Approved

Rationale – A larger percentage of the equity awards should be tied to performance conditions. At least 50% is a minimum good practice. In addition, severance payments should not exceed two times annual pay. Larger severance packages should be subject to a separate shareholder approval. Moreover, on early termination, all share-based awards should be time pro-rated and tested for performance, including in the event of a change of control.

Mettler-Toledo International Inc, May 2021

Summary of resolution – Elect Director Thomas P. Salice

How they voted – Against

Outcome – Approved

Rationale – Boards where more than a third of directors have served for more than 12 years lack balance. The nominating committee should take action to ensure an appropriately fresh board and reduce the proportion of long-standing directors to reduce the risk of entrenchment. In addition, directors with long board tenures should not serve on committees that require absolute independence. The compensation committee should be independent, and this director's membership could hamper the committee's impartiality and effectiveness. The nomination committee should be majority independent and this director's membership could hamper the committee's impartiality and effectiveness. Moreover, this director is not sufficiently independent to serve as the independent lead director.

LGIM

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). 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 they 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.

They provide information on significant votes in the format of detailed case studies in LGIM's quarterly ESG impact and annual active ownership publications. LGIM provided details of "significant votes" in response to our request, which are detailed here:

LGIM World Equity Index and LGIM Global Equity Market Weights (40:60) Index

Verizon Communications Inc., May 2021

Summary of resolution - Resolution 1h Elect Director Hans E. Vestberg

How they voted – Against

Outcome - Approved

Rationale – LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 are voting against all combined board chair/CEO roles. Furthermore, LGIM have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

Sumitomo Corporation, June 2021

Summary of resolution - Shareholder Resolution 5 – Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement

How they voted – For Shareholder Resolution 5 (against management recommendation)

Outcome – The proposal was not adopted

Rationale - Having reviewed Sumitomo Corporation's disclosures and engaged in dialogue with the company, LGIM has decided to vote in favour of Shareholder Resolution 5, as described above. They note the company's efforts on the climate transition, in particular the enhanced commitments announced over the past couple of months. However, they continue to have concerns regarding the alignment of interim pathways with a 1.5 degree scenario. LGIM believe support for the shareholder resolution will help signal the importance of the climate emergency for them as a large investor and expectations for companies to align urgently with the goals of the Paris Agreement. LGIM look forward to engaging further and hope to see the company provide increased transparency around its short and medium-term targets and expedite its efforts to give shareholders comfort that it is on track to achieve its 2050 carbon neutrality commitment.

Toshiba Corp., June 2021

Summary of resolution - Resolution 1.2 Elect Director Nagayama, Osamu

How they voted – Against

Outcome – The proposal was not adopted

Rationale - A vote AGAINST this nominee is warranted because: Nagayama is the nomination committee chair and the chairman of the board. Therefore, he bears the greatest responsibility in nominating candidates, and has ultimate responsibility for the conduct of the board. While LGIM note the Board's actions since the concerns regarding the conduct of the 2020 AGM has come to light, they hold the Board Chairman ultimately accountable. Please note that a vote against was also cast under LGIM's Future World Protection List vote policy: A vote against is applied as the company meets the criteria for inclusion in LGIM's Future World Protection List. Companies are incorporated into the List if they fail to meet minimum standards of globally accepted business practices. This includes: companies involved in the manufacture and production of controversial weapons; perennial violators of the United Nations Global Compact (UNGC).

LGIM Hybrid Property (70:30) Fund

Prologis, Inc., April 2021

Summary of the resolution – Elect Director Hamid R. Moghadam

How they voted – Against

Outcome – Approved

Rationale – LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM is voting against all combined board chair/CEO roles. Furthermore, they have published a guide for boards on the separation of the roles of chair and CEO (available on LGIM's website), and LGIM has reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.

Simon Property Group, Inc., May 2021

Summary of the resolution – Elect Director Karen N. Horn

How they voted – Against

Outcome – Approved

Rationale – LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, they have published a guide for boards on the separation of the roles of chair and CEO (available on their website), and they have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

Realty Income Corporation, May 2021

Summary of the resolution – Elect Director Reginald H. Gilyard

How they voted – Against

Outcome – Approved

Rationale – LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. For 10 years, LGIM have been using their position to engage with companies on this issue. As part of LGIM's efforts to influence their investee companies on having greater gender balance, in 2020, LGIM increased its expectations on gender diversity on the board by placing a vote against the largest 100 companies in the S&P500 and the S&P/TSX where less than a quarter of the board are women. In 2021, LGIM expanded the scope of their vote policy to include all companies in the S&P 500 and the S&P/TSX. LGIM's expectation is for all companies in this market to reach a minimum of 30% women on the board and at senior management level by 2023.

MFS

MFS sets out to cast proxy votes in the best long-term, economic interest of clients. MFS does not, at this time, define a vote significant to particular strategies. They therefore post a complete record of firm-wide proxy voting reports. For the purpose of compiling this report, "significant votes" may have the following characteristics, among others: vote is linked to certain engagement priorities; vote considered engagement with the issuer; and vote relates to certain thematic or industry trends. MFS provided details of nine "significant votes" in response to our request. The three votes with the largest holdings that they have indicated as significant are detailed here:

Visa Inc., January 2021

Summary of resolution - Provide Right to Act by Written Consent

How they voted – For

Outcome - The proposal was not adopted

Rationale - MFS supports proposals requesting the right for shareholder to act by written consent.

Oracle Corporation, April 2021

Summary of resolution - Require Independent Board Chair

How they voted – For

Outcome - The proposal was not adopted

Rationale - Given the size and complexity of the business, MFS felt that the company would benefit from more independent board oversight in the form of an appointed independent chair.

Comcast Corporation, June 2021

Summary of resolution - Elect Director Edward D. Breen

How they voted – Against

Rationale - MFS voted against a nominee due to excessive service on public boards. As specified in MFS' voting policies, for a director who is not a CEO of a public company, MFS will vote against a nominee who serves on more than four public company boards in total. For a director who is also a CEO of a public company, MFS will vote against a nominee who serves on more than two public company boards in total.

Newton

Newton regard as material issues all votes against management, including where they support shareholder resolutions that the company's management are recommending voting against. As active managers, Newton invest in companies that they believe will support the long-term performance objectives of clients. Voting against management, therefore, is a strong statement that Newton think there are areas for improvement. As such, Newton report publicly their rationale for each instance where they have voted against the recommendation of the underlying company's management. At the fund level, Newton considers each instance of voting against management to be significant but if required to prioritise these instances, they take an objective approach that includes the fund's weighting in each security. This reflects their investment process and ensures the prioritised list includes those instances that could be most impactful to the long-term value to the fund as well as those that may have an immediate impact to the fund. Newton provided details of ten "significant votes" in response to our request. The three votes with the largest holdings that they have indicated as significant are detailed here:

Apple Inc., February 2021

Summary of resolution - Elect Director, Advisory Vote to Ratify Named Executive Officers' Compensation, Proxy Access Amendments, Improve Principles of Executive Compensation Program

How they voted – AGAINST management proposals and FOR the shareholder proposals

Outcome – Management proposals were approved and shareholder proposals were not adopted

Rationale - Newton voted against the company's executive-compensation arrangements and against members of the compensation committee. Their primary concern was the absence of performance-based hurdles that determine the vesting of long-term pay awards. They also noted that each member of the compensation committee had long tenures on the board, which raised questions surrounding their ability to exercise independent and objective judgement.

In addition, Newton supported the shareholder proposal that sought to enhance the ability of shareholders to appoint board members – commonly known as proxy access. Apple's proxy access provisions failed to meet US best practice, where shareholders can nominate at least two candidates for election to the board.

Newton also supported the shareholder proposal that sought for the company to consider the pay ratio between the named executive officers and wider employees when determining executive pay arrangements. They believe multiple factors should be taken into account when setting compensation (including the relationship with employees and other stakeholders). Introducing compensation principles, including in relation to pay ratios, would allow the compensation committee to better consider these factors when determining executive compensation.

The Goldman Sachs Group, Inc., April 2021

Summary of resolution - Provide Right to Act by Written Consent, Mandatory Arbitration on Employment Related Claims

How they voted – AGAINST

Outcome – The proposal "Provide Right to Act by Written Consent" was not adopted, the proposal "Mandatory Arbitration on Employment Related Claims" was approved

Rationale – Newton supported a shareholder proposal requesting that the company provide shareholders with the right to act by way of written consent. This would enhance shareholders' rights, provide shareholders with the means to raise issues outside of AGMs, and is aligned with US best practice.

Additional information on the company's policies regarding mandatory arbitration for harassment and discrimination cases was considered to have merit as it would provide insight into practices and could result in improved recruitment and retention, as well as allowing shareholders to better assess the risks associated with the company's use of arbitration agreement.

Newton did not support two shareholder proposals. They considered that the company has been taking meaningful action in terms of racial and economic equality, and the request for Goldman Sachs to become a B Corporation (a public-benefit corporation) could be legally problematic.

Alibaba Group Holding Limited, September 2020

Summary of resolution - Elect directors

How they voted – AGAINST

Outcome - Approved

Rationale - Newton voted against the two members of the governance committee who were seeking re-election given their concern surrounding the low level of independence on the board.

Schroders

Schroders considers "most significant" votes as those against company management. Where there have been ongoing and significant areas of concerns with a company's performance Schroders may choose to vote against individuals on the board, particularly when they feel a lacking long-term vision.

On a monthly basis, they produce a voting report which details how votes were cast, including votes against management and abstentions, and this report is publicly available on their website. The details for three votes on which Schroders voted against management are detailed here:

Royal Dutch Shell, May 2021

Summary of resolution – Request Shell to Set and Publish Targets for Greenhouse Gas ("GHG") Emissions

How they voted – For

Outcome – The proposal was not adopted

Rationale - The company is being asked to set and publish targets aligned with the goal of Paris Climate Agreement. The resolution asks for short-, medium- and long-term targets on scope 1,2 and 3 emissions. Schroders acknowledge elements of overlap between this resolution and that of the advisory vote on Company's Climate Transition Strategy. A vote for this resolution is given as whilst we praise the progress made by the company and the climate transition strategy reported on climate targets specifically we support the ambition of this resolution with regards to Paris alignment and evolving best practice for the industry in terms of setting ambitious, absolute emissions reduction targets.

JPMorgan Chase & Co., May 2021

Summary of resolution – Report on Racial Equity Audit

How they voted – For

Outcome – The proposal was not adopted

Rationale - The company is being asked to oversee and report on a racial equity audit analysing the adverse impacts of the company on non-white stakeholders and communities of colour. Schroders welcome the company's existing initiatives and reporting in this area, including its diversity & inclusion reporting, commitment to spend $30 billion over the next five years to advance racial equity, and efforts to increase diversity, equity and inclusion and equality across the business. However, Schroders also note that the company's reputation has been damaged as a result of recent controversies relating to the issue. Schroders are supportive of an audit that would help the company identify and address any remaining gaps or areas of development in its current approach. As such, Schroders support the proposal.

Equinor ASA, May 2021

Summary of resolution – Instruct Company to Set Short, Medium, and Long-Term Targets for GHG Emissions of the Company's Operations and the Use of Energy Products

How they voted – For

Outcome – The proposal was not adopted

Rationale – The company is being asked to set short, medium and long-term targets for GHG emissions of the company's operations and the use of energy products. A vote for this resolution is given as, whilst the company has a net zero commitment for production and final consumption at 2050 and an operational net zero commitment at 2030, short term targets and emissions reductions goals that enable investors to understand the company's progress and emissions trajectory would be welcome. Investors would also welcome more ambitious targets that are aligned to the goal of the Paris Agreement to limit global warming and efforts to limit temperature increase to 1.5C.

10.4 Votes in relation to assets other than listed physical equity

The following comments were provided by the Plan's asset managers who don't hold listed equities, but invest in assets where voting opportunities may arise on occasion :

The Trustee notes the following statements made by **BMO**, who manage the Plan's equity-linked bond mandate which holds equity derivative contracts and, as such, does not confer voting rights to the Plan**:**

"*The Total UK Pension Plan is invested in a LDI Private-Sub Fund ("the Fund") with BMOGAM which holds the following investments:*

- *Gilts*
- *Equity Futures*
- *Cash*
- *BMO Sterling Liquidity Fund*

However, we see responsible investing and broader investment stewardship as part of our duty as an investor acting in the best interests of our clients and key to managing risk and supporting long term returns. Consequently we engage where we can with investee companies and financial counterparties and this includes LDI counterparties and counterparties and investee companies in our liquidity fund range in which the Private sub-fund is invested."

The Trustee notes the following statements made by **LaSalle**, who manage a segregated UK property mandate for the Plan, which did not have any votes during the period, describing its general voting process:

"LaSalle actively engages with the Companies by exercising voting rights and other rights attached to shares. Their voting activities are conducted in accordance with LaSalle's proxy voting policy. LaSalle monitor the Companies' approach towards matters such as business strategy, financial and non-financial performance and risk, capital structure, and relevant social, environmental and governance "ESG" metrics. The extent and manner of such monitoring activities will be determined having regard to the investment strategy, the size of the exposure, feasibility of effective monitoring and other relevant issues."

The Trustee notes the following statements made by **LGIM** in respect of their funds invested in bonds, which do not convey voting rights:

"ESG issues are fundamentally important to investors regardless of the type of exposure. We engage on behalf all of our clients' assets: the Investment Stewardship team explicitly takes into account both our debt and equity exposures and we participate in a number of industry bodies to formulate and provide guidance on best practice in fixed income markets. Our size as a long-term investor in these markets carries weight with issuers."

Independent Auditor's report to the Trustee of the TotalEnergies UK Pension Plan

Opinion

We have audited the financial statements of the TotalEnergies UK Pension Plan ("the Plan") for the year ended 30 June 2021 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year ended 30 June 2021 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Plan in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Plan, and as it has concluded that the Plan's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Plan and analysed how those risks might affect the Plan's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Plan's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Plan will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee as to the Plan's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether it has knowledge of any actual, suspected or alleged fraud.
- Reading Trustee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Trustee's (or its delegates including the Plan's administrators) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of Insurance policies, Property and Level 3 pooled investment vehicles. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.

- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and its delegates (as required by auditing standards), and from inspection of the Plan's regulatory and legal correspondence and discussed with the Trustee and its delegates the policies and procedures regarding compliance with laws and regulations.

As the Plan is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Plan's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Plan is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation), and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Plan is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Plan's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Plan's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and its delegates and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the Schedule of contributions in our statement about contributions on page 47 of the annual report.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities, the Chair's statement, the Implementation Statement and the summary of contributions) and the actuarial certification of the Schedule of Contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in its statement set out on page 9, the Plan Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Plan, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Plan Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Plan Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan Trustee, for our audit work, for this report, or for the opinions we have formed.

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

21 January 2022

Independent Auditor's Statement about Contributions to the Trustee of the TotalEnergies UK Pension Plan

Statement about contributions

We have examined the summary of contributions payable under the Schedules of Contributions to the TotalEnergies UK Pension Plan in respect of the Plan year ended 30 June 2021 which is set out on page 10.

In our opinion contributions for the Plan year ended 30 June 2021 as reported in the summary of contributions and payable under the Schedules of Contributions have in all material respects been paid from 1 July 2020 to 30 December 2020 at least in accordance with the Schedule of Contributions certified by the actuary on 17 September 2019 and subsequently at least in accordance with the Schedule of Contributions certified by the actuary on 31 December 2020.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 10, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions to the Plan and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Plan's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's Trustee, for our work, for this statement, or for the opinions we have formed.

G. Broom

Gemma Broom
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
Date: 21 January 2022

Fund Account for the year ended 30 June 2021

	Notes	Defined Benefit Section £m	Defined Contribution Section £m	Total 30 June 2021 £m	Total 30 June 2020 £m
Contributions & benefits					
Employer contributions		109.2	21.5	130.7	87.5
Employee contributions		0.8	1.8	2.6	3.0
Total contributions	5	110.0	23.3	133.3	90.5
Claims on term insurance		0.1	1.4	1.5	0.5
Transfers in	6	0.2	0.4	0.6	2.6
		110.3	25.1	135.4	93.6
Benefits paid or payable	7	(104.7)	(2.6)	(107.3)	(103.6)
Payments to and on account of leavers	8	(33.0)	(11.3)	(44.3)	(25.8)
Administrative expenses	9	(5.4)	-	(5.4)	(5.1)
Other payments	10	0.4	-	0.4	(0.4)
		(142.7)	(13.9)	(156.6)	(134.9)
Net (withdrawals)/additions from dealings with Members		(32.4)	11.2	(21.2)	(41.3)
Returns on investments					
Investment income	11	79.7	-	79.7	83.3
Change in market value of investments	12	(74.3)	50.7	(23.6)	116.9
Investment management expenses		(1.2)	-	(1.2)	(1.2)
Net returns on investments		4.2	50.7	54.9	199.0
Net (decrease)/ increase in the Fund during the Year		(28.2)	61.9	33.7	157.7
Transfer between sections		1.9	(1.9)	-	-
Net assets of the Plan at 1 July		3,387.1	280.4	3,667.5	3,509.8
Net assets of the Plan at 30 June		3,360.8	340.4	3,701.2	3,667.5

The notes on pages 50 to 67 form part of these financial statements.

Statement of Net Assets (available for benefits) as at 30 June 2021

	Notes	Defined Benefit Section £m	Defined Contribution Section £m	Total 30 June 2021 £m	Total 30 June 2020 £m
Investment assets:	12				
Equities		154.8	-	154.8	123.1
Property		103.7	-	103.7	110.2
Pooled investment vehicles	14	1,513.0	338.8	1,851.8	1,582.0
Derivatives	17	-	-	-	0.1
Insurance policies	18	1,540.8	-	1,540.8	1,758.2
AVC investments	19	12.0	-	12.0	11.9
Other investments	15	2.4	-	2.4	46.8
Cash and cash equivalents		7.0	-	7.0	11.2
		3,333.7	338.8	3,672.5	3,643.5
Investment liabilities:					
Other investments	16	(2.8)	-	(2.8)	(2.4)
Total net investments		3,330.9	338.8	3,669.7	3,641.1
Current assets	24	39.9	2.1	42.0	37.4
Current liabilities	25	(10.0)	(0.5)	(10.5)	(11.0)
Net Assets of the Plan at 30 June		3,360.8	340.4	3,701.2	3,667.5

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Defined Benefit Section of the Plan, which takes into account such obligations is dealt with in the Report on Actuarial Liabilities on pages 4 and 5 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 50 to 67 form part of these financial statements.

These financial statements were approved by the Trustee on

Signed by:Rob White
Date:19.01.2022 14:32:35
GMT
Trustee Director: Package:CB684D2ADDC0 Date:

Trustee Director: Date:

Notes to the Financial Statements

1 Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Plan has adequate resources to realise its assets and meet benefit obligations in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustee has considered the financial position of the principal employer TotalEnergies Pension Company UK Limited, its ultimate parent undertaking and controlling party, Total SE as well as the regulatory capital position of the annuity provider Pension Insurance Corporation.

The Trustee has also taken into account the impact on investments, future income and capital growth, portfolio liquidity and cashflow requirements. The Trustee is confident that the Plan will have sufficient funds to continue to meet is liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore, have prepared the financial statements on a going concern basis.

2 Identification of the financial statements

The Plan is established as a trust under English law. The address for enquiries to the Plan is included in the Trustee's Report.

3 Accounting policies

The principal accounting policies of the Plan are as follows:

3.1 The Plan's functional currency and presentational currency is pounds sterling (GBP).

3.2 Accruals concept

The financial statements have been prepared on an accruals basis, unless otherwise stated.

3.3 Contributions

Normal employer contributions, both for the Defined Benefit Section and the Defined Contribution Section are accounted for on an accruals basis at rates agreed between the Trustee and the Principal Employer based on the recommendation of the Actuary set out in the Schedule of Contributions. Deficit funding contributions are accounted for in accordance with the Schedule of Contributions and recovery plan under which they are being paid. Normal employee contributions are accounted for when deducted from pay. Employer S75 debt contributions are accounted for when a reasonable estimate of the amount receivable can be determined. Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.

3.4 Benefits

Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.

3.5 Transfers

Individual transfers are accounted for when the transfer has been paid or received. Bulk transfers are accounted for when liability has been accepted by the Plan or the new receiving scheme.

3.6 Investment Income

Interest on cash deposits and rental income is accounted for on an accruals basis. Annuity income is accounted for on a accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Income from fixed interest and index-linked securities is accounted for on an accruals basis.

3 Accounting policies (continued)

3.7 Expenses

All administrative expenses are borne by the Defined Benefit Section of the Plan. Expenses shown in note 9 are accounted for on an accruals basis.

3.8 Valuation of Investments

Investment assets are included in the financial statements at their fair value at the year-end:

Pooled Investment vehicles
Pooled Investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment managers.

Equities
Equities are stated at the bid price or the last traded price at the date of the statement of net assets.

Property
La Salle Investment Management manage a property portfolio on behalf of the Plan. Direct property is freehold and reported at book cost until independently re-valued each December by Knight Frank LLP in line with the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors. The year-end valuation is based on the December 2020 valuations plus or minus any sales or purchases. Property funds are reported at single price at the year-end as provided by the investment manager.

AVC funds
AVC fund values are included in the financial statements at values quoted by the AVC providers.

Annuities
Annuities purchased by the Trustee which provide benefits for certain members are included in these financial statements at fair value. The value of these policies has been based on the related obligations as determined by the Plan Actuary using the most recent Scheme Funding valuation assumptions. The cost of purchasing these annuities is reported within the fund account under “Benefits payable”.

Bulk annuity policies are included in the statement of net assets at the value determined by the Plan Actuary on a basis consistent with the valuation of the Plan's liabilities using the most recent Scheme Funding valuation assumptions. Income arising from these annuity policies is included in annuity income.

Derivatives
Derivative contracts are valued at fair value. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. The fair value of the forward currency contracts is based on market forward exchange rates at the year-end and determined as the gain or loss that would arise if the outstanding contract was matched at the year-end with an equal and opposite contract.

3.9 Critical accounting estimates and judgements

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affects the amounts reported for assets and liabilities as at the statement of net assets date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the financial statements.

4 Comparative disclosures for the Fund Account and Statement of Net Assets Fund Account

Fund Account for the year ended 30 June 2020

	Defined Benefit Section £m	Defined Contribution Section £m	Total 30 June 2020 £m
Contributions & benefits			
Employer contributions	63.0	24.5	87.5
Employee contributions	1.0	2.0	3.0
Total contributions	64.0	26.5	90.5
Claims on term insurance	-	0.5	0.5
Transfers in	-	2.6	2.6
	64.0	29.6	93.6
Benefits paid or payable	(101.4)	(2.2)	(103.6)
Payments to and on account of leavers	(20.8)	(5.0)	(25.8)
Administrative expenses	(5.1)	-	(5.1)
Other payments	(0.4)	-	(0.4)
	(127.7)	(7.2)	(134.9)
Net (withdrawals)/additions from dealings with Members	(63.7)	22.4	(41.3)
Returns on investments			
Investment income	83.3	-	83.3
Change in market value of investments	114.0	2.9	116.9
Investment management expenses	(1.2)	-	(1.2)
Net returns on investments	196.1	2.9	199.0
Net increase in the Fund during the Year	132.4	25.3	157.7
Transfer between sections	2.7	(2.7)	-
Net assets of the Plan at 1 July	3,252.0	257.8	3,509.8
Net assets of the Plan at 30 June	3,387.1	280.4	3,667.5

Statement of Net Assets (available for benefits) as at 30 June 2020

	Defined Benefit Section £m	Defined Contribution Section £m	Total 30 June 2020 £m
Investment assets:			
Equities	123.1	-	123.1
Property	110.2	-	110.2
Pooled investment vehicles	1,303.9	278.1	1,582.0
Derivatives	0.1	-	0.1
Insurance policies	1,758.2	-	1,758.2
AVC investments	11.9	-	11.9
Other investments	46.8	-	46.8
Cash and cash equivalents	11.2	-	11.2
	3,365.4	278.1	3,643.5

4 Comparative disclosures for the Fund Account and Statement of Net Assets Fund Account (continued)

	Defined Benefit Section £m	Defined Contribution Section £m	Total 30 June 2020 £m
Investment liabilities:			
Other investments	(2.4)	-	(2.4)
Total net investments	3,363.0	278.1	3,641.1
Current assets	34.3	3.1	37.4
Current liabilities	(10.2)	(0.8)	(11.0)
Net Assets of the Plan at 30 June	3,387.1	280.4	3,667.5

5 Contributions

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2021 £m
Employer contributions			
Normal	10.3	19.6	29.9
Deficit funding	51.0	-	51.0
Additional	47.9	1.9	49.8
	109.2	21.5	130.7
Employee contributions			
Normal	0.6	0.6	1.2
Additional voluntary contributions	0.2	1.2	1.4
	0.8	1.8	2.6
	110.0	23.3	133.3

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2020 £m
Employer contributions			
Normal	12.0	21.9	33.9
Deficit funding	51.0	-	51.0
Additional	-	2.6	2.6
	63.0	24.5	87.5
Employee contributions			
Normal	0.8	0.6	1.4
Additional voluntary contributions	0.2	1.4	1.6
	1.0	2.0	3.0
	64.0	26.5	90.5

Deficit funding contributions are being paid by the Principal Employer into the Plan in line with the Recovery Plan and Schedule of Contributions over 6 years. During the year £51.3m was paid into the DB section.

The DC additional contributions above are in respect of Company funding of life assurance and administration expenses. All expenses are borne by the DB Section. Included within employer normal contributions are £1.7m in respect of DB salary sacrifice contributions, and £4.4m in respect of DC salary sacrifice contributions.

The DB additional contributions of £47.9m relate to the sale of LOR.

6 Transfers in

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2021 £m
Individual transfers in from other schemes	0.2	0.4	0.6

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2020 £m
Individual transfers in from other schemes	-	2.6	2.6

7 Benefits paid or payable

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2021 £m
Pensions	92.8	-	92.8
Commutation of pensions and lump sum retirement benefits	10.4	0.5	10.9
Purchase of annuities	0.2	0.1	0.3
Lump sum death benefits	1.3	1.9	3.2
Taxation where lifetime or annual allowance exceeded	-	0.1	0.1
	104.7	2.6	107.3

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2020 £m
Pensions	91.8	-	91.8
Commutation of pensions and lump sum retirement benefits	8.8	0.5	9.3
Purchase of annuities	0.5	0.3	0.8
Lump sum death benefits	0.2	1.2	1.4
Taxation where lifetime or annual allowance exceeded	0.1	0.2	0.3
	101.4	2.2	103.6

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Plan in exchange for the Plan settling their tax liability.

8 Payments to and on account of leavers

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2021 £m
Individual transfers out to other schemes	33.0	11.3	44.3

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2020 £m
Individual transfers out to other schemes	20.8	5.0	25.8

9 Administrative expenses

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2021 £m
Administration costs	1.8	-	1.8
Audit fee	-	-	-
Legal and Professional fees	3.4	-	3.4
PPF Levy	0.2	-	0.2
	5.4	-	5.4

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2020 £m
Administration costs	2.1	-	2.1
Audit fee	0.1	-	0.1
Legal and professional fees	2.8	-	2.8
PPF Levy	0.1	-	0.1
	5.1	-	5.1

10 Other payments

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2021 £m
Group premiums on term insurance policies	(0.4)	-	(0.4)

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2020 £m
Group premiums on term insurance policies	0.4	-	0.4

11 Investment income

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2021 £m
Dividends from equities	2.5	-	2.5
Rental income	3.8	-	3.8
Annuity income	74.0	-	74.0
Foreign exchange	(0.6)	-	(0.6)
	79.7	-	79.7

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2020 £m
Dividends from equities	3.5	-	3.5
Rental income	5.1	-	5.1
Annuity income	74.6	-	74.6
Interest on cash deposits	0.1	-	0.1
	83.3	-	83.3

Income in relation to the Defined Contribution Section has been directly re-invested within the fund and is accounted for in the unit prices of the pooled investment vehicles. Rental income is shown net of expenses of £1.5m (2020: £0.9m).

12 Reconciliation of investments

	Value at 1 July 2020 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Value at 30 June 2021 £m
Defined Benefit Section					
Equities	123.1	36.8	(32.6)	27.5	154.8
Property	110.2	0.2	(2.3)	(4.4)	103.7
Pooled investment vehicles	1,303.9	287.8	(197.1)	118.4	1,513.0
Derivatives	0.1	12.6	(12.6)	(0.1)	-
Insurance policies	1,758.2	-	-	(217.4)	1,540.8
AVC investments	11.9	1.9	(3.2)	1.4	12.0
	3,307.4	339.3	(247.8)	(74.6)	3,324.3
Cash and cash equivalents	11.2			0.3	7.0
Other investment assets	46.8			(74.3)	2.4
Other investment liabilities	(2.4)				(2.8)
	3,363.0				3,330.9
Defined Contribution Section					
Pooled investment vehicles	278.1	47.5	(37.5)	50.7	338.8

Included within sales and purchases are transfers between investment managers of £202.0m. This reflects:

1. Switches totalling £77.0m between funds held by L&G.
2. Disinvestments totalling £80.0m (£25.0m, £30.0m and £25.0m from BlackRock's diversified growth fund, L&G's global equity fund and Schroder's diversified growth fund respectively) were used to provide investment into a new corporate bond fund managed by Barings.
3. The remaining £45.0m was disinvested from investments held with Newton with the cash proceeds used to provide additional investment into the equity-linked bond mandate managed by BMO.

12 Reconciliation of investments (continued)

There were also £25.4m of switches between funds held with Legal & General in the Defined Contribution Section.

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Plan such as fees, commissions and stamp duty.

Transaction costs analysed by main asset class and type of cost are as follows:

	Fees £m	Commission £m	Total £m
2021 Property	0.1	-	0.1
2021 Equity	-	0.1	0.1
2021 Total	0.1	0.1	0.2
2020 Total	0.6	0.1	0.7

In addition to the transaction costs disclosed above, indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. These costs are not identifiable.

For the Defined Contribution section investments purchased by the Plan are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Plan administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Plan that relate to members leaving the Plan prior to vesting.

Defined Contribution assets are fully allocated to members.

13 Taxation

The Plan is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

14 Pooled investment vehicles

Pooled investment vehicles are managed by companies registered in the UK. The Plan's investments, in pooled investment vehicles, at the year-end comprised:

	2021 £m	2020 £m
Defined Benefit Section		
Equity	249.9	295.3
Diversified	209.9	233.3
Equity-linked bonds – Specialised Investment Fund ("SIF")	355.8	266.9
Bonds	672.4	474.0
Property	9.4	8.8
Cash	15.6	25.6
	1,513.0	1,303.9
Defined Contribution Section		
Equity	224.3	180.4
Diversified	101.7	84.5
Bonds	5.0	5.5
Cash	7.8	7.7
	338.8	278.1

14 Pooled investment vehicles (continued

Fixed Income Pooled Investment Vehicle – Specialised Investment Fund ("SIF")

The SIF is a pooled arrangement where the Plan is the only participant in the fund. The aim is to assist the Plan to more closely match its liabilities by seeking to offset the impact of future changes in interest and inflation rates.

Although the Plan owns units in a pooled fund, the underlying assets are closely monitored as part of a review of the LDI strategy. The following table provides a breakdown of the securities within the pooled SIF investment vehicle as at the year ended 30 June 2021:

	2021 £m	2020 £m
Bonds	243.3	167.2
Cash	20.6	15.2
Pooled investment vehicles – liquidity funds	94.4	86.4
Income receivable	1.1	0.8
Expenses	(0.2)	(0.1)
Futures – unrealised gain / loss	(3.4)	(2.6)
	355.8	266.9

15 Other investment assets

	2021 £m	2020 £m
Outstanding trades	-	44.8
Tax recoverable	0.5	0.5
Investment income due	0.1	0.2
Other debtors	1.8	1.3
	2.4	46.8

16 Other investment liabilities

	2021 £m	2020 £m
Other creditors	(2.8)	(2.4)
	(2.8)	(2.4)

17 Derivatives

Objectives and Policies

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Plan as follows:

Forward FX – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in GBP, a currency hedging programme, using forward FX contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

17 Derivatives (continued)

At the year-end the Plan had the following derivatives:

	2021		2020	
	Asset £	**Liabilities £**	**Asset £**	**Liabilities £**
Forward FX contracts	-	-	106,746	-

A summary of the Plan's outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

Forward FX

Contract	Settlement date	Currency bought	Currency sold	Asset value £	Liability value £
Total 2021				-	-
Total 2020				106,746	-

18 Insurance policies

The Plan held insurance policies at the year-end as follows:

	2021 £m	**2020 £m**
Buy in annuity policy with PIC	1,536.6	1,753.1
Bulk annuity with Canada Life	4.2	5.1
	1,540.8	1,758.2

At 30 June 2021 the value of collateral held in relation to these assets was £1,667.5m (2020: £1,646.9m).

The values of the Bulk Annuities were calculated as at 30 June 2020, using the Statement of Funding Principles for the 2020 valuation. These values have then been rolled forward approximately to 30 June 2021. The financial assumptions used for the roll forward are consistent with those used for the valuation as at 30 June 2020, but allow for the impact of the changes in gilt yield curves since that date and RPI reform as set out in the Statement of Funding Principles.

19 Defined Benefit Section AVC investments

The Trustee holds assets invested separately from the main Defined Benefit Section investments to secure additional benefits on a money purchase basis for those Defined Benefit Section members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement made up to 30 June confirming the amounts held in their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

	2021 £m	**2020 £m**
Legal & General – unitised fund	11.1	10.3
Utmost – unitised funds	-	0.7
Prudential – with-profits, cash and unitised funds	0.4	0.4
Aviva – with-profits insurance policies	0.1	0.1
Clerical Medical – unitised funds	0.4	0.4
	12.0	11.9

19 Defined Benefit Section AVC investments (continued)

Additional AVCs totalling £0.0m (2020: £0.0m) are held with MGM Assurance, Halifax, Zurich (with-profits insurance policies) and Phoenix Swiss Life (unitised fund).

Included within the DB Section investments are £1.1m (2020: £1.0m) of in-house AVCs allocated to individual members.

20 Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

The Plan's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	At 30 June 2021			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Defined Benefit Section				
Equities	154.8	-	-	154.8
Property	-	-	103.7	103.7
Pooled investment vehicles	-	1,503.6	9.4	1,513.0
Insurance policies	-	-	1,540.8	1,540.8
AVC investments	-	11.6	0.4	12.0
Cash and cash equivalents	7.0	-	-	7.0
Other investment assets	2.4	-	-	2.4
Other investments liabilities	(2.8)	-	-	(2.8)
	161.4	1,515.2	1,654.3	3,330.9
Defined Contribution Section				
Pooled investment vehicles	-	338.8	-	338.8

	At 30 June 2020			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Defined Benefit Section				
Equities	123.1	-	-	123.1
Property	-	-	110.2	110.2
Pooled investment vehicles	-	1,028.2	275.7	1,303.9
Derivatives	0.1	-	-	0.1
Insurance policies	-	-	1,758.2	1,758.2
AVC investments	-	11.5	0.4	11.9
Cash and cash equivalents	11.2	-	-	11.2
Other investment assets	46.8	-	-	46.8
Other investments liabilities	(2.4)	-	-	(2.4)
	178.8	1,039.7	2,144.5	3,363.0
Defined Contribution Section				
Pooled investment vehicles	-	278.1	-	278.1

21 Investment risk disclosures

(a) Investment risks

When deciding how to invest the Plan's assets, the Trustee considers a wide range of risks, including credit risk and market risk, as defined below.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate and inflation rate risk and other price risk, defined as follows:

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate and inflation rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates or expected inflation rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate and inflation rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determined the Plan's investment strategy after obtaining written professional advice from its professional investment adviser. The Plan has exposure to the aforementioned risks because of the investments held to implement the investment strategy. The Trustee manages investment risks, including credit risk and market risk, considering the Plan's investment objectives and strategy, and the advice of its investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Plan's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

The tables below summarise the Plan's investments that have significant exposure to indirect credit and market risks.

DB Section	Credit risk	Currency risk	Interest rate and inflation rate risk	Other price risk
Annuities / Buy-ins	○	○	●	●
LGIM All-stocks Index-Linked Gilts Fund	○	○	●	○
LGIM Over 15yr Index-Linked Gilts Index Fund	○	○	●	○
LGIM 2047 Gilt Fund	○	○	●	○
LGIM 2055 Gilt Fund	○	○	●	○
LGIM 2065 Gilt Fund	○	○	●	○
LGIM Sterling Liquidity Fund	○	○	○	○
LGIM World Equity Index Fund	○	●	○	●
MFS Global Concentrated Fund	○	●	○	●
Newton Equity Fund	○	●	○	●
LaSalle Property Fund	●	○	○	●
BlackRock Dynamic Diversified Growth Fund	●	●	●	●
Schroders Dynamic Multi Asset Fund	●	●	●	●
Barings Global High Yield Credit Strategies	●	●	●	○
BMO Equity-Linked Bonds	●	○	●	●

21 Investment risk disclosures (continued)

DC Section	Credit risk	Currency risk	Interest rate and inflation rate risk	Other price risk
Global Equity Fund	○	●	○	●
UK Equity Fund	○	○	○	●
Overseas Equity Fund	○	●	○	●
Ethical Equity Fund	○	●	○	●
Corporate Bond Fund	●	○	●	○
Index-Linked Gilt Fund	○	○	●	○
Cash Fund	○	○	○	○
Fixed Interest Gilt Fund	○	○	●	○
Diversified Multi-Asset Fund	●	●	●	●

Key: The risk noted affects the fund significantly (●) or hardly/ not at all (○).

Further information on these risks and the Trustee's approach to risk management is set out below.

Credit risk

The Plan is subject to credit risk through its investments in pooled investment vehicles and sole investor arrangements. It is directly exposed to credit risk in relation to the solvency of the custodians of those funds. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Plan's investments across a number of pooled funds. The Trustee, with the help of its advisors, carries out due diligence checks prior to the appointment of any new investment manager or fund, and monitors for changes to the operating environment of the existing pooled funds. The Plan's bulk annuity policy is also directly exposed to the solvency of the insurer.

As at 30 June 2021 around 23% (2020: 19%) of the assets in the DB Section were invested in funds or securities that are significantly exposed to credit risk. The corresponding figure for the DC Section is 31% as at 30 June 2021 (2020: 31%) and for the DB AVC Section is 28% as at 30 June 2021 (2020: 26%).

The role of a custodian is to ensure the safe-keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. The pooled investment vehicle's governing body is responsible for appointing its own custodian for the safe-keeping, monitoring and reconciliation of documentation relating to these securities.

The Plan's holdings in pooled investment vehicles are 'unrated' from a credit perspective. Direct credit risk arising from pooled investment vehicles is mitigated by: the underlying assets of the pooled arrangements being ring-fenced from the assets of the custodian and the investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the Plan's investments across a number of pooled funds. The Trustee carries out due diligence checks on investments into new pooled funds and on an ongoing basis monitors any changes to the operating environment of those pooled funds. The Trustee also carries out due diligence checks on new appointments of investment managers and custodians for sole investor arrangements and on an ongoing basis monitors any changes to the operating environment of these entities.

The Plan is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds. Within the DB Section the indirect exposure to credit risk arises from the Plan's investments in the LaSalle Property Fund, BlackRock Dynamic Diversified Growth Fund, Schroders Dynamic Multi Asset Fund, Barings Global High Yield Credit Strategies and BMO Equity-linked bonds. The amount invested in each of these mandates is shown in the Statement of Net Assets.

Within the DC and DB AVC Sections, the indirect exposure to credit risk arises from the Plan's investments in the Corporate Bond Fund and Diversified Multi-Asset Fund.

The managers of the pooled funds that invest in fixed income manage credit risk by having a diversified exposure to issuers, conducting thorough research on the probability of default of those issuers, and having only a limited exposure to securities rated below investment grade. The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific securities.

21 Investment risk disclosures (continued)

There is also direct credit risk associated with the Plan's insured bulk annuity policies, which the Trustee considered before the policy was taken out. This risk is mitigated by the regulatory environment in which the insurer operates and the diversification of the policy's underlying assets.

The table below sets out the types of pooled fund used within Plan.

Investment Manager	Fund type
LGIM	Unit linked insurance contract
Schroders	Unit trust
LaSalle	Share in limited partnership
MFS	Unit trust
Barings	Open ended investment company
BlackRock	Unit trust
BMO	Mutual investment umbrella fund (Fonds Commun de Placement-Fonds d'Investissement Spécialisé)

A summary of pooled investment vehicles by type of arrangement is as follows:

	2021 £m	2020 £m
Unit linked insurance contracts	623.8	617.6
Authorised unit trusts	434.1	410.6
Open ended investment company	89.9	-
Mutual investment umbrella funds	355.8	266.9
Shares of limited liability partnerships	9.4	8.8
	1,513.0	1,303.9

The pooled investment vehicle with BMO is a sole investor fund and so the risk disclosures are required to be completed on a look-through basis as if the Plan directly held the underlying assets. As a result the Plan is subject to direct credit risk from the underlying gilts of £243.3m (2020: £167.2m), BMO Sterling liquidity fund of £94.4m (2020: £86.4m) and other assets of £18.1m (2020: £13.3m) within the pooled investment.

Currency risk

As the Plan's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Plan's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustee manages the amount of currency risk by investing in pooled funds that hedge some or all of their currency exposure, or implement separate currency hedging arrangements.

As at 30 June 2021 around 21% (2020: 21%) of the Plan's DB assets were invested in funds or securities that are significantly exposed to currency risk. The corresponding figure for the DC is 95% as at 30 June 2021 (2020: 94%) and for the DB AVC Section is 72% as at 30 June 2021 (2020: 66%).

The Plan's DB assets that are exposed to indirect currency risk are the LGIM World Equity Index Fund , MFS Global concentrated fund, Newton Equity Fund, BlackRock Dynamic Diversified Growth Fund, Schroders Dynamic Multi Asset Fund and Barings Global High Yield Credit Strategies, which invest in non-Sterling investments that are not currency hedged. The Plan has direct currency risk on its segregated global equity mandate with Newton. This mandate can invest in overseas equities, which will be exposed to movements in currency markets. The amount invested in each of these mandates is shown in the Statement of Net Assets.

21 Investment risk disclosures (continued)

The Plan's DC and DB AVC assets that are exposed to indirect currency risk are the Global Equity Fund, Overseas Equity Fund, Ethical Equity Fund and Diversified Multi-Asset Fund, which invest in non-Sterling investments that are not currency hedged.

The exposure to foreign currencies within the pooled funds will vary over time as the manager changes the underlying investments, but is not expected to be a material driver of returns over the longer term. Decisions about the exposure to foreign currencies within the pooled funds held are at the discretion of the appointed fund managers.

The Plan's net unhedged exposure to foreign currency at 30 June which was in accordance with the benchmark was:

	2021	**2020**
	£m	**£m**
CAD (Canadian Dollar)	-	3.5
CHF (Swiss Franc)	7.3	12.0
DKK (Danish Krone)	2.2	-
EUR (Euro)	27.3	32.2
HKD (Hong Kong Dollar)	9.8	5.1
JPY (Japanese Yen)	10.9	6.4
KRW (South Korean Won)	3.9	3.7
NOK (Norweigan Krone)	-	0.7
SEK (Swedish Krona)	2.9	3.0
THB (Thailand Baht)	-	1.7
USD (United States Dollar)	74.6	85.3
	138.9	153.6

Interest rate and inflation rate risk

Interest rate risk and inflation risk is a material risk for the Plan given that movements in interest rates and inflation are a material influence on the value of the liabilities assessed in present day terms. Some of the Plan's assets are subject to interest rate risk (both nominal and real interest rates). However, the overall interest rate exposure of the Plan's assets hedges part of the corresponding risks associated with the Plan's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

The only assets within the Plan's DB Section with material exposure to changes in interest rates are the LGIM All Stocks Index-Linked Gilts Fund , LGIM Over 15yr Index-Linked Gilts Index Fund , LGIM 2047 Gilt Fund , LGIM 2055 Gilt Fund, LGIM 2065 Gilt Fund , BlackRock Dynamic Diversified Growth Fund, Schroders Dynamic Multi Asset Fund, Barings Global High Yield Credit Strategies and BMO Equity-linked bonds. The amount invested in each of these mandates is shown in the Q2 2021 DB Performance Monitoring Report issued by LCP.

As at 30 June 2021 around 84% (2020: 82%) of the Plan's DB assets were invested in funds or securities that are significantly exposed to interest rate and/or inflation risk. The corresponding figure for the DC is 32% as at 30 June 2021 (2020: 32%) and for the DB AVC Section is 30% as at 30 June 2021 (2020: 30%).

The Plan's DC and DB AVC assets invested in pooled bond funds are also subject to indirect interest rate risk. The Trustee believes that including exposure to bond funds within a lifestyle strategy targeting annuity purchase at retirement is appropriate since this reduces the volatility of the members' assets relative to annuity prices to give them more certainty. Bond funds are also offered as self-select options to members, and may be used by members to diversify against other types of risk.

The assets within the Plan's DC and DB AVC Sections with material exposure to changes in interest rates are the Corporate Bond Fund, Index-Linked Gilt Fund, Fixed Interest Gilt Fund and Diversified Multi-Asset Fund.

21 Investment risk disclosures (continued)

A summary of the risk disclosure for the asset classes underlying is as follows:

	Credit risk	Currency risk	Interest rate risk	Other risk
Fixed interest government bonds	Empty	Empty	Full	Empty
Index-linked government bond	Empty	Empty	Full	Empty
External unit trusts (liquidity fund)	Empty	Empty	Empty	Empty
Cash and net current assets	Empty	Empty	Empty	Empty
Equity futures	Empty	Empty	Empty	Full

Other price risk

The Plan’s assets are exposed to risks of market prices other than currencies and interest rates, such as the pooled funds that hold equities being subject to movements in equity prices.

As at 30 June 2021 around 79% (2020: 85%) of the Plan’s DB assets were invested in funds or securities that are significantly exposed to other price risk. The corresponding figure for the DC is 96% as at 30 June 2021 (2020: 95%) and for the DB AVC Section is 78% as at 30 June 2021 (2020: 72%).

The Trustee monitors this risk on a regular basis, looking at the performance of the Plan as a whole as well as each individual portfolio. The Trustee believes that the Plan’s assets are adequately diversified between different asset classes and within each asset class to manage this risk.

The Trustee believes that the Plan’s DB and DC assets are adequately diversified between different asset classes and within each asset class to manage this risk, and that the DC and DB AVC options provide a suitably diversified range for members to choose from.

The exposure to other price risk within the Plan’s actively managed funds will vary over time depending on how the managers change the underlying asset allocation to reflect their market views.

At 30 June 2021, direct other price risk in respect of the equity holding was £154.8m (2020: £123.1m) and in respect of the property holding was £103.7m (2020: £110.2m). Indirect other price risk occurs in the pooled funds as noted on page 57.

The pooled investment vehicle with BMO is a sole investor fund and so the risk disclosures are required to be completed on a look-through basis as if the Plan directly held the underlying assets. As a result the Plan is subject to direct other price risk from the underlying FTSE 100 Index futures of -£3.4 (2020: -£2.6m) within the pooled investment.

Concentration of investment

The Plan holds the following investments which exceed 5% of the net assets of the Plan at 30 June 2021:

	2021 £m	%	2020 £m	%
PIC buy in annuity policy	1,536.6	39.2	1,753.1	47.8
L&G over 15 year index linked gilt	543.8	13.9	433.6	11.8
BMO equity-linked bonds	355.8	9.1	266.9	7.3
MFS equity fund	224.3	5.7	177.3	4.8
L&G Global equity	202.8	5.2	166.1	4.5

22 Self investment

None of the Plan’s investment funds held exposures in employer related investments.

The Plan has not breached the statutory limit of 5% maximum self-investment at any time throughout the year.

23 Stock lending

At the Plan year end the Plan had lent no securities from the Newton portfolio (2020: £7.0m) under a stock lending program run by Northern Trust. Collateral of nil (2020: £7.3m) was held in relation to stock lent comprising gilts and equities. Income of nil (2020: less than £0.1m) was generated from this activity.

24 Current assets

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2021 £m
Allocated to members			
Contributions due from employer in respect of:			
- Employer	-	0.1	0.1
Cash balances	-	2.0	2.0
Not allocated to members			
Contributions due from employer in respect of:			
- Employer	0.1	-	0.1
Cash balances	39.0	-	39.0
Other debtors	0.8	-	0.8
	39.9	2.1	42.0

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2020 £m
Allocated to members			
Contributions due from employer in respect of:			
- Employer	-	0.1	0.1
Cash balances	-	2.5	2.5
Other debtors	-	0.1	0.1
Not allocated to members			
Contributions due from employer in respect of:			
- Employer	0.1	-	0.1
Cash balances	33.1	0.4	33.5
Other debtors	1.1	-	1.1
	34.3	3.1	37.4

Contributions due to the Plan at the Plan year end relate to June 2021 and were received subsequent to the year-end in accordance with the Schedule of Contributions.

25 Current liabilities

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2021 £m
Not allocated to members			
Unpaid benefits	0.9	-	0.9
Insured pensions received in advance	6.0	-	6.0
Amounts due to Employer	1.7	-	1.7
Other creditors	1.3	0.5	1.8
Audit fees	0.1	-	0.1
	10.0	0.5	10.5

25 Current liabilities (continued)

	Defined Benefit Section £m	Defined Contribution Section £m	Total 2020 £m
Not allocated to members			
Unpaid benefits	0.5	-	0.5
Insured pensions received in advance	6.1	-	6.1
Amounts due to Employer	2.2	-	2.2
Other creditors	1.3	0.8	2.1
Audit fees	0.1	-	0.1
	10.2	0.8	11.0

26 Related party transactions

The Principal Employer of the Plan is TotalEnergies Pension Company UK Limited.

There have been no transactions with related parties which have not been disclosed in these financial statements other than the provision of administration services by the Trustee and the appointed personnel of the Principal Employer. The Principal Employer and the Trustee have not charged the Plan for their services. At 30 June 2021, the amount due to the Principal Employer was £1.7m (2020: £2.2m). Of the Trustee Directors noted on page 1, twelve are members of the Plan at the year-end and James Coull and John Llewellyn are in receipt of benefits. Benefits received are in accordance with the Trust Deed and Rules.

Fees and expenses of £5,250 (2020: £6,569) are paid for James Coull and John Llewellyn who are the pensioner trustees relating to the year ended 30 June 2021.

27 Capital Commitments

The Plan has a total capital commitment of £10.0m at the end of the Plan year to pay capital calls on the LaSalle UK PRS residential fund. The commitment uncalled at 30 June 2021 amounts to £0.3m (2020: £1.0m).

28 GMP Equalisation

In October 2018, the High Court determined that Guaranteed Minimum Pensions (“GMP”) for contracted-out pension schemes must be equalised between men and women in respect of service between May 1990 and April 1997. Employers have had to provide equal pensions to males and females since 17 May 1990, however, the State defined the level of GMP differently for males and females and this, combined with different increases in payment, means that in payment the pensions are unlikely to be equal. The Trustee is working with its advisers to understand the implication of this Ruling on the Plan and the equalisation of guaranteed minimum pensions between men and women in the context of the rules of the Plan and the value of any additional liability. The Company included an allowance of 0.5% of the value of accrued liabilities in its corporate accounts at 31 December 2018. The Trustee has undertaken further work in relation to GMP equalisation over 2020. Once a more detailed review has been completed and any backdated amounts quantified, the Trustee will formally communicate with members on this issue. Based on the allowance of 0.5% the backdated element of this is not considered material to these financial statements.

As explained on page 7 of the Trustee’s report, on 20 November 2020, the High Court handed down a second judgement involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgement confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgement arise in relation to many other defined benefit pension schemes. The Trustee will consider next steps as the Plan has experienced historical transfers out which may be subject to adjustment as a result of this second ruling. Any adjustments necessary will be recognised in future accounts. It is not possible to estimate the value of any such adjustments at this time.

Certification of schedule of contributions

Name of scheme: Total UK Pension Plan

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 30 June 2017 to be met by the end of the period specified in the recovery plan dated 1 April 2019.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 1 April 2019.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the Plan were to be wound up.

Signature:

Date: 31 December 2020

Name: James Miller

Qualification: Fellow of the Institute and Faculty of Actuaries

Address:
Verulam Point
Station Way
St Albans
AL1 5HE

Name of employer: Aon Solutions UK Limited

STATEMENT OF INVESTMENT PRINCIPLES

for the

Total UK Pension Plan

June 2020

1. Introduction

1.1. What is the purpose of this Statement of Investment Principles?

This Statement of Investment Principles (or SIP) sets out the policy of Total Pension Trustee UK Limited (the "Trustee") on various matters governing decisions about the investments of the Total UK Pension Plan (the "Plan").

There are two sections within the Plan, the Defined Benefit (DB) section and the Defined Contribution (DC) section.

The current investment arrangements of the Plan, based on the principles set out in this SIP, are detailed in the Investment Policy Document ("IPD"). The Trustee is responsible for updating the IPD as necessary.

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it appropriately. These reviews will take place as soon as practicable after any significant change in investment policy or in the demographic profile of the relevant members in respect of the DC section and at least once every three years.

1.2. Who has had input to the SIP?

This SIP has been formulated after obtaining and considering proper written professional advice from Lane Clark & Peacock LLP ("LCP"), the Trustee's investment adviser, whom the Trustee believes to be suitably qualified and experienced to provide such advice.

The Principal Employer was consulted on the SIP. The current investment managers of the Plan were given the opportunity to comment on a draft of the SIP and their comments have been incorporated into this final version. The managers are required to carry out their investment responsibilities in a manner consistent with this SIP.

1.3. What is the legal background to the SIP?

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), the Occupational Pension Schemes (Investment) Regulations 2005 ("the Regulations") and the Occupational Pension Schemes (Charges and Governance) Regulations 2015 ("OPSCGR 2015").

The Plan's assets are held in trust by the Trustee. The investment powers of the Trustee are set out in the definitive Trust Deed. A copy of the Trust Deed is available on request.

2. What are the Trustee's overall investment objectives for the DB section?

The Trustee's objectives are:

- that the DB section should be able to meet benefit payments as they fall due; and
- to target a return in excess of the change in the value of the liabilities, subject to an acceptable level of risk.

3. What risks does the Trustee consider and how are these measured and managed for the DB section?

When deciding how to invest the Plan's DB assets, the Trustee considers a wide range of risks, including, but not limited to, those set out in Appendix A.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

The level of investment risk of the Plan is measured by the 1-year Value-at-Risk under a "worst case" (95th percentile) outcome ("VaR95"). VaR95 is a measure of the downside risk due to the mis-match between the Plan's assets and the Plan's technical provisions.

4. What is the DB Section's investment strategy?

The Trustee, with the help of its advisers and in consultation with the employer, reviewed the investment strategy for the DB Section in May 2020, taking into account the objectives described in Section 2 above.

The Trustee seeks to invest the Plan's assets in a wide range of asset classes of appropriate liquidity and security which will, together with contributions from the employer, generate income and capital growth to meet the Plan's liabilities.

Strategic allocation

The Plan's investment strategy including the buy-in and excluding the buy-in, is to invest the assets broadly as follows:

Asset class	Asset allocation including the buy-in asset (%)	Asset allocation excluding the buy-in asset (%)
Equities	11	24
Multi-asset absolute return	6	14
Property	5	10
Bonds (including buy-in)	66	26
Equity-linked bonds	10	21
Multi-asset credit	2	5
Sum	**100**	**100**

The Plan invests in equity-linked bonds which, for every £1 invested, provide 75p exposure to a portfolio of gilts, 25p exposure to cash and £1 of exposure to equities. Beyond this, there are two elements to the Plan's long-term investment strategy. These are for:

- the non-insured pensioner liabilities to be backed by gilts and growth assets, split 80% / 20% respectively; and
- the active and deferred member liabilities to be backed solely by the Plan's growth assets.

For performance measurement purposes, the strategic allocation to equities will decrease gradually to fund the increased allocation to bonds.

5. How was the investment strategy determined?

The Trustee, with the help of its investment advisers and in consultation with the Employer determined the investment strategy taking into account a number of risks, including, but not limited to, those set out in Appendix A. When choosing the Plan's target asset allocation strategy the Trustee considered written advice from its investment advisers.

The asset allocation was determined with regard to the actuarial characteristics of the Plan, in particular the strength of the funding position and the liability profile. At the time of undertaking the review in May 2020, the Plan's expected return above gilts was 3.4% pa.

In setting the strategy, the Trustee considered:

- a wide range of asset classes;
- the risks and rewards of a number of possible asset allocation options;
- the suitability of each asset class within each strategy, both across asset classes and within asset classes;
- the need for appropriate diversification between different asset classes, and within asset classes;
- the circumstances of the Plan, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the views of the sponsoring employer, and
- the Trustee's investment beliefs about how investment markets work and which factors are most likely to impact investment outcomes.

The Trustee's key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity and illiquidity are rewarded risks;
- in some markets, investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore the Trustee will consider passive management if it is not convinced by active management;
- environmental, social and governance ("ESG") factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

The Trustee has signed agreements with the investment managers setting out in detail the terms on which the portfolios are to be managed. The investment managers' primary role is the day-to-day investment management of the Plan's investments. The managers are authorised under the Financial Services and Markets Act 2000 (as amended) to carry out such activities.

6. What is the Trustee's overall investment objective for the DC section?

The Trustee's objective is to provide a range of investments that are suitable for meeting members' long and short-term investment requirements.

What risks does the Trustee consider and how are these measured and managed?

The Trustee recognises the key risk is that members will have insufficient funds in retirement or funds that do not meet their expectations. This could be due to a number of factors, including insufficient contributions, poor long-term investment returns or adverse fluctuations in annuity prices if a member was to purchase a pension. The Trustee considered the key risks when setting the investment options and strategy for the Plan. The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.

The Trustee considered the following sources of risk and mitigated them as follows:

- Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.

  The Trustee's policy is to review the range of funds offered and the suitability of the lifestyle options on a regular basis.

- Risk of fund managers not meeting their objectives.

  This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.

  The Trustee monitors the performance of the assets compared to the benchmarks on a regular basis, usually quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

- Risk of the lifestyle options being unsuitable for the requirements of some members.

  The Trustee's policy is to review the range of funds offered and the suitability of the lifestyle options on a regular basis.

- The risk of fraud, poor advice or acts of negligence.

  The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to review the range of funds offered and the suitability of the lifestyle options on a regular basis.

7. What is the DC section's auto-select (default) investment strategy?

For members who do not make an investment choice there is an auto-select investment strategy. The auto-select lifestyle targets income drawdown at retirement. It is structured to maintain a reasonable and diverse exposure to growth assets, as well as a provision for the taking of a tax-free cash lump sum, at retirement. It is designed to be broadly appropriate for a typical member within the Plan, but it will not be suitable for all members.

Members are offered three lifestyle options, each with a different retirement target. The Trustee has also implemented an auto-selection mechanism. All members who have not chosen a different investment option and are auto-selected into the drawdown lifestyle will be affected. At 5.5 years before a members' target retirement date, if they have a pot size of under £25,000 they will be switched into the cash lifestyle strategy which has an alternative de-risking phase. Members with pot sizes over £25,000 will remain in the drawdown lifestyle. The Plan's administrator manages this mechanism.

Members are also offered a third lifestyle strategy that targets annuity purchase at retirement. All three lifestyle strategies have a common growth phase until 5 years to a members' target retirement date.

The funds and lifestyle strategies offered in the DC section of the Plan were selected by the Trustee considering the funds' objectives and investment process, expected returns, risks and other characteristics, and the Trustee's view of the needs and circumstances of the membership.

The Trustee realises that whilst no single option will be sufficient to manage all the various risks associated with defined contribution investment, the range is designed to be wide enough to enable individuals to manage the risks identified as they become relevant, according to each member's individual requirements.

8. Appointment of investment managers and custodian

The Trustee has signed investment management documentation with the investment managers setting out in detail the terms on which the portfolios are managed, including the need for suitable and appropriately diversified investment.

The Trustee has signed agreements with the platform provider, who makes available a range of investment options to members of the DC section.

The managers are all authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Details of the investment managers and their investment benchmarks and guidelines are given in the Investment Policy Document.

The custodian's primary role is the safekeeping of the assets. The custodian is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

9. Other matters

9.1. What is the Trustee's policy on the realisation of investments?

The investment managers have discretion over the timing of realisation of investments of the Plan and in considerations relating to the liquidity of investments.

When appropriate, the Trustee, on the administrators' recommendation, determines the amount of cash required to meet obligations of the Plan to its beneficiaries and other outgoings and informs the investment managers of any liquidity requirements. The Trustee's preference is for investments that are readily realisable but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property).

9.2. What is the Trustee's policy on financially material and non-financial matters?

The Trustee has considered how ESG and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages managers to improve their practices where appropriate.

The Trustee has considered non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) and has decided not to take these into account in the selection, retention and realisation of investments in the DB section. In the DC section, the Trustee recognises that some members may wish for non-financial matters to be taken into account in their investments and therefore has made available an equity investment option to DC members to address this demand.

9.3. What is the Trustee's policy on the exercise of investment rights?

The Trustee has examined how rights, including voting rights, attached to investments should be exercised. In doing so, the Trustee has considered The UK Stewardship Code issued by the Financial Reporting Council.

The Trustee supports the Principles set out in the UK Stewardship Code. In appointing and reviewing investment managers it will pay regard to the extent to which they support the Code and will take measures to ensure that managers' report regularly (at least annually) to the Trustee on their compliance with the Principles.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers.

9.4. Voting and engagement

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, can protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issues of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debtor equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time reviews how these are implemented in practice.

9.5. Implementation of the investment arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

The Trustee has limited influence over managers' investment practices where the Plan's assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee's view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

9.6. What are the responsibilities of the various parties in connection with the Plan's investments?

Appendix B contains brief details of the respective responsibilities of the Trustee, the investment adviser, the investment managers and the custodian. Appendix B also contains a description of the basis of remuneration of the investment adviser, the investment managers and the custodian.

9.7. Does the Trustee make any investment selection decisions of its own?

Before making any investment selection decision of its own, it is the Trustee's policy to obtain written advice. The written advice considers the suitability of the investment, the need for diversification and the principles contained in this SIP. It is also the Trustee's policy to review its own investment selection decisions on a regular basis (at least annually), based on written advice.

9.8. Review

The Trustee will, from time to time, review the appropriateness of this SIP with the help of its advisers, and will amend the SIP as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

For and on behalf of Total Pension Trustee UK Limited

Date

Guillaume MENABE

Digitally signed by Guillaume MENABE
Date: 2020.09.30 09:25:20 +02'00'

The Trustee's policy towards risk, risk measurement and risk management

The Trustee considers that there are a number of different types of investment risk that are important for the DB and DC sections. These include, but are not limited to:

A1. Mismatching risk

Mismatching risk is the risk that the performance of the DB section's assets and liabilities diverges in certain financial and economic conditions. This risk has been taken into account in the Trustee's investment strategy review, and will be monitored by the Trustee on a regular basis.

The Trustee will review the DB section's investment strategy at least every three years in light of the various risks faced by the Plan.

A2. Inadequate long-term returns

A key objective of the Trustee for the DB section is that, over the long-term, the Plan should have adequate resources to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Plan to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Plan's assets and liabilities diverge in certain financial and economic conditions in the short term. This risk has been considered in setting the investment strategy.

In the DC Section, as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a "lifestyle" strategy which automatically combines investments in pre-defined proportions that vary, and aim to decrease the level of expected investment risk, towards a member's retirement age.

A3. Buy-in insurer risk

This is the risk that the Plan's buy-in insurer fails to pay the benefits secured under the buy-in contract.

This risk is mitigated by having selected a reputable insurer on the basis of advice from LCP, and by negotiating a collateral arrangement so that in the event of the insurer's failure to pay (amongst other prescribed events) the Trustee can take control of a portfolio of collateral assets.

A4. Investment manager risk

Investment manager risk is the risk that the investment managers fail to meet their investment objectives.

The Trustee received investment advice from a suitably qualified individual on the selection of the fund managers. The Trustee monitors the investment managers on a regular basis.

A5. Risk from lack of diversification

Risk from lack of diversification is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Trustee's ability to meet its investment objectives.

The Trustee believes that the Plan's DB assets and DC default strategy are adequately diversified between different asset classes, within each asset class and across different investment managers. It also believes that the DC self-select options provide a suitably diversified range for members to choose from.

A6. Illiquidity/marketability risk

Liquidity/marketability risk is the risk that the DB section is unable to realise assets to meet benefit cash flows as they fall due.

The Trustee is aware of the DB section's cash flow requirements and believes that this risk has been mitigated through a combination of purchasing the buy-in policy, and by investing the majority of the remainder in liquid assets.

For the DC Section, this is the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.

A7. Custodian risk

Custodian risk is the risk that the custodian fails to ensure the safe-keeping of the Plan's assets, or fails to properly carry out its administrative duties.

The Trustee undertook investment advice on the selection of the custodian, and the Trustee monitors the reviews the performance of the custodian on a regular basis.

A8. Currency risk

Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Plan's investments are held in overseas markets. The Trustee considers overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate.

A9. Interest rate and inflation risk

The Plan's DB and DC assets are subject to interest rate and inflation risk because some of the Plan's assets are held in bonds (including inflation index-linked bonds), via pooled funds. However, the interest rate and inflation exposure of the Plan's DB assets hedges part of the corresponding risks associated with the Plan's liabilities.

The net effect of the Trustee's approach to interest and inflation risk will be to reduce the volatility of the funding level, and so the Trustee believes that it is appropriate to manage exposures to these risks in this manner and to review them on a regular basis.

For the DC Section, funds that invest in bonds via pooled funds are included in the Annuity Lifestyle in particular, which targets annuity purchase at retirement. This reduces the volatility of the members' assets relative to annuity prices to give them more certainty. Bond funds are also included in the self-select fund range offered to members and may be used to diversify against other types of risk.

A10. ESG risks

ESG factors are sources of risk to the Plan's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

A11. Risk from excessive charges

Within the DC Section, if the investment management charges together with other charges, (for example, platform services, transition costs and additional expenses) are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Plan are in line with market practice and assess regularly whether these represent good value for members.

A12. Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Plan is subject to credit risk because it invests in bonds via pooled funds. The Trustee manages its exposure to credit risk by only investing in pooled funds that have a diversified exposure to different credit issuers. The Plan invests in some funds which invest in bonds that are classified as both "investment grade" and "non-investment grade" – the latter carrying greater credit risk but having a higher yield to compensate investors.

A13. Other risks

The Trustee recognises that there are other, non-investment, risks faced by the Plan. Examples include:

- mortality risk (the risk that members live, on average, longer than expected);
- sponsor risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Plan as anticipated). The Trustee has taken into account the strength of the employer's covenant in setting the Plan's investment strategy; and
- operational risks (eg the risk of errors and omissions in the handling of the Plan's assets or payment of Plan benefits)

The Trustee also has in place processes to consider and monitor these non-investment risks on a regular basis.

Responsibilities and charges

B.1. Responsibilities and investment decision-making structure

The Trustee has decided on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Plan overall, with access to an appropriate level of expert advice and service.

B.2. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- setting structures and processes for carrying out its role;
- selecting and monitoring the planned asset allocation;
- appointing an Investment Committee;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act.
- selecting direct investments; and
- considering recommendations from the Investment Committee.

The Trustee has delegated consideration of certain investment matters to the Investment Committee ("IC"), although any decisions remain the responsibility of the Trustee.

B.3. Investment Committee

In broad terms, the Investment Committee is responsible in respect of investment matters for:

- making recommendations to the Trustee covering:
  - the planned asset allocation;
  - the selection of investment advisers and fund managers;
  - investment structures and their implementation;
  - direct investments
- monitoring the investment advisers and fund managers;
- making ongoing decisions relevant to the operational principles of the Plan's investment strategy; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

B.4. Investment managers

In broad terms, the investment managers will be responsible for:

- managing their respective portfolios, within the guidelines agreed with the Trustee;
- selecting individual investments with regard to their suitability and diversification; and
- providing the Trustee with regular information concerning the management and performance of their respective portfolios.

B.5. Investment platform provider

The investment platform provider will be responsible for:

- providing access to a range of funds managed by various investment managers;
- ensuring funds are priced correctly; and
- providing the Trustee with regular information concerning the management and performance of the assets.

B.6. Custodian

In broad terms, the custodian will be responsible for:

- the safekeeping and reconciliation of the Plan's investments;
- monitoring the buy-in collateral assets
- settling transactions; and
- administering income and tax payments.

B.7. Investment consultants

In broad terms investment consultants will be responsible, as requested by the Trustee / Investment Committee, for:

- advising on how material changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers and custodian;
- providing any required training on investment matters; and

- participating with the Trustee in reviews of this SIP.

B.8. Charging structures

All investment managers and platform receive fees calculated by reference to the market value of assets under management, and/or performance-related fees.

The Trustee has agreed terms of business with the Plan's investment advisers. The investment advisers receive a fixed fee for core services, and fee bases are agreed on case-by-case basis for any other projects.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Plan. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

B.9. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members.

B.9. Working with the Plan's employer

When reviewing matter regarding the Plan's investment arrangements, such as the SIP, the Trustee seeks to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the employer, the Trustee believes that better outcomes will generally be achieved if the Trustee and employer work together collaboratively.