

Tessengerlo UK Group Pension Scheme

Engagement Policy Implementation Statement for the year ending 31 December 2022

Introduction

The Trustees of the Tessengerlo UK Group Pension Scheme (the 'Scheme') have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment manager.

This statement sets out how, and the extent to which, in the opinion of the Trustees, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending 31 December 2022. This statement also describes the voting behaviour by, or on behalf of, the Trustees including the most significant votes cast during the year, and whether a proxy voter has been used.

The Trustees, in conjunction with their investment consultant, appoint their investment manager and choose the specific pooled funds to use in order to meet specific Scheme policies. They expect that their investment manager makes decisions based on assessments about the financial performance of underlying investments, and that it engages with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustees have decided not to take non-financial matters into account when considering their policy objectives.

Stewardship - monitoring and engagement

The Trustees recognise that the investment manager's ability to influence the companies in which it invests will depend on the nature of the investment.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager and to encourage the investment manager to exercise those rights. The investment manager is expected to provide regular reports for the Trustees detailing their voting activity. The Trustees will take corporate governance policies into account when appointing and reviewing investment managers.

The Trustees seeks to appoint managers that have strong stewardship policies and processes and are supportive of their investment manager being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment manager and the Trustees expect the investment manager to use its discretion to maximise financial returns for members and others over the long term.

As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

The Trustees have not set out their own stewardship priorities but follow that of the investment manager.

Investment manager engagement policies

The Scheme's investment manager is expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees with information on how the investment manager engages in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

A link to the investment manager's engagement policy is provided in the Appendix. The Trustees are comfortable that these policies are broadly in line with the Scheme's chosen stewardship approach and that they do not diverge significantly from any key stewardship priorities identified for the Scheme.

The latest available information provided by the investment manager (with mandates that contain equities) is as follows:

Baillie Gifford Diversified Growth Fund	
Period	01/01/2022 – 31/12/2022
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.
Number of companies engaged with over the year	34
Number of engagements over the year	37

Exercising rights and responsibilities

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment manager is expected to disclose annually a general description of its voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The investment manager publishes online the overall voting records of the firm on a regular basis.

The investment manager uses proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustees have selected the three votes affecting the largest asset holdings for inclusion in this statement. The Trustees did not communicate with the manager in advance about the votes they considered to be the most significant.

The Trustees do not carry out a detailed review of the votes cast by or on behalf of their investment manager but rely on the requirement for their investment manager to provide a high-level analysis of their voting behaviour.

The Trustees consider the proportion of votes cast, and the proportion of votes against management to be an important (but not the only) consideration of investor behaviour.

The latest available information provided by the investment manager for the fund with listed equity voting rights is as follows:

Baillie Gifford Diversified Growth Fund	
Period	01/01/2022 – 31/12/2022
Number of meetings eligible to vote at	106
Number of resolutions eligible to vote on	1,140
Proportion of votes cast	95.8%
Proportion of votes for management	95.6%
Proportion of votes against management	3.4%
Proportion of resolutions abstained from voting on	0.8%

Trustees' assessment

The Trustees have undertaken a review of the investment manager's engagement policy including their policies in relation to financially material considerations.

The Trustees have reviewed the investment manager's policies relating to engagement and voting and how they have been implemented and have found them to be acceptable at the current time.

The Trustees recognise that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment manager being a signatory to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Appendix

Links to the engagement policy for the investment manager can be found here:

Investment manager	Engagement policy
Baillie Gifford	https://www.bailliegifford.com/en/usa/professional-investor/literature-library/corporate-governance/our-stewardship-approach-esg-principles-and-guidelines-2022/

Information on the most significant votes for the one fund containing equities is shown below.

Baillie Gifford Diversified Growth Fund	Vote 1	Vote 2	Vote 3
Company name	GALAXY ENTERTAINMENT GROUP LTD	GALAXY ENTERTAINMENT GROUP LTD	CBRE GROUP, INC.
Date of Vote	12/05/2022	12/05/2022	18/05/2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.1	6.1	6.2
Summary of the resolution	Amendment of Share Capital	Amendment of Share Capital	Shareholder Resolution - Governance
How the fund manager voted	Against	Against	Against
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	No	No	No
Rationale for the voting decision	Baillie Gifford opposed two resolutions which sought authority to	Baillie Gifford opposed two resolutions which sought authority to	Baillie Gifford opposed a shareholder resolution to lower the threshold

	issue equity because the potential dilution levels are not in the interests of shareholders.	issue equity because the potential dilution levels are not in the interests of shareholders.	for shareholders to call a special meeting as they consider that the existing threshold is appropriate.
Outcome of the vote	Pass	Pass	Fail
Implications of the outcome	Baillie Gifford have opposed similar resolutions in previous years and will continue to advise the company of their concerns and seek to obtain proposals that they can support.	Baillie Gifford have opposed similar resolutions in previous years and will continue to advise the company of their concerns and seek to obtain proposals that we can support.	Baillie Gifford opposed the shareholder resolution to lower the ownership threshold to call a special meeting as they were comfortable with the current 25% threshold in place and do not believe that lowering it would be reasonable. Ahead of voting, they had an engagement call with the company to discuss the proposed agenda. They were satisfied to learn about the company's efforts to engage with their holders, including the proponent, who according to the company, did not have any particular concerns over CBRE but backs a lower threshold out of principle. They intend to follow up with the company later in a year to speak about governance developments.
Criteria on which the vote is assessed to be "most significant"	This resolution is significant because it	This resolution is significant because it	This resolution is significant because it

	received greater than 20% opposition.	received greater than 20% opposition.	received greater than 20% opposition.
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Information on the most significant engagement case studies for the one fund containing public equities or bonds is shown below.

Baillie Gifford Diversified Growth Fund	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	MP Materials Corp	The Renewables Infrastructure Group Limited	Blackrock Global Funds - Asian High Yield Bond Fund
Topic	Environmental/Social	Corporate Governance	Corporate Governance
Rationale	Objective: Baillie Gifford arranged this meeting to find out more about the company's approach to sustainability, as there is very little public environmental and social disclosure with no disclosed commitments to improve.	Objective: Meeting with the new Chair of the Board (COB), Richard Morse, to discuss aspects of The Renewables Infrastructure Group's (TRIG's) governance set-up and essential factors that impact their investment case. This meeting was an excellent chance to gain insight into the board dynamics of this investment trust while learning how the chair transition process is going. Baillie Gifford briefly touched on this topic with management last quarter. Hearing reflections from the outgoing COB may also prove valuable.	Objective: This meeting with the Asian credit team from Blackrock was set up to explore its views in this market. From a geopolitical perspective, Baillie Gifford were keen to understand potential portfolio and governance implications given recent tensions between China and Taiwan.

<p>What the investment manager has done</p>	<p>MP Materials Corporation engages in the ownership and operation of integrated rare earth mining and processing facilities. The company delivers approximately 15 per cent of global rare earth supply with a long-term focus on Neodymium-Praseodymium, a crucial input to the powering of electric vehicles, wind turbines, drones, robots, and many other advanced technologies.</p> <p>Discussion: Given the materiality of certain environmental and social issues to the industry, Baillie Gifford were pleased to learn that the company is currently working on its inaugural sustainability report, supported by an external consultant, and following a sustainability consultation with some of the company's key stakeholders.</p> <p>Although early in its sustainability journey, they were left with the impression that there is a willingness for the company to learn, to improve existing sustainability credentials and use</p>	<p>Discussion: This meeting was against the backdrop of announcements of a revenue cap in the UK, and they started their conversation on this development to try and gauge portfolio implications. This makes it an interesting time to be taking over as COB, and as such, they covered several governance topics, from the skills and experience of TRIG's board to its relationship with the management teams. Finally, they discussed discount rates and the various mechanisms used to manage this.</p>	<p>Discussion: The team expressed that it had thought carefully at a company level about management and governance arrangements in the event of a deterioration between the United States (US) and China. They also discussed its experience of other Blackrock funds, also listed in Luxembourg, undergoing sudden market shocks, for example when Russia invaded Ukraine earlier this year. The team was clear that in the event of sanctions there could be disruption to pricing, and that redemptions and subscriptions to the fund may temporarily be unavailable. However, they offered reassurances with regard to the liquidity of and local demand for relevant underlying assets. It is also the case that any consequences would be diluted at a fund level due to the fund's geographical diversification.</p>
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	this as a means by which to extend competitive advantage.		
Outcomes and next steps	Following this engagement, Baillie Gifford updated their proprietary ESG materiality assessment of the company and identified a number of ESG milestones to monitor, which include the timely publication of a credible sustainability report later this year.	Outcome: TRIG conveyed that it aims to maintain its strong ESG credentials and continue providing dividends. The board appreciated their interest in the governance set-up, and it was good to share their thinking. Through their interactions, Baillie Gifford learned about a new candidate for the board, and they look forward to hearing more about this change in due course. As Helen Mahy, the outgoing COB, was a leading force for ESG, they were pleased to hear that this would remain a continued focus. They also listened to her parting reflections on the market environment and the managers of the fund.	Baillie Gifford gained confidence in the fund's ability to operate in the event of sanctions on China and the extent to which the team has proactively considered this scenario. As Blackrock is a US manager with exposure and an on-the-ground research presence in China, there are complexities. However, they believe they are well placed to navigate such a situation.