Tessenderlo UK Group Pension Scheme

Engagement Policy Implementation Statement for the year ended 31 December 2023

Introduction

The Trustee of the Tessenderlo UK Group Pension Scheme (the 'Scheme') have a fiduciary duty to consider their approach to the stewardship of the investments and to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee 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 Trustee, 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 2023. 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 Trustee, 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 Trustee has decided not to take non-financial matters into account when considering their policy objectives.

Stewardship - monitoring and engagement

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

The Trustee's 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 Trustee detailing their voting activity. The Trustee will take corporate governance policies into account when appointing and reviewing investment managers.

The Trustee seek 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.

Investment manager	UN PRI Signatory	UK Stewardship Code Signatory
Baillie Gifford	Yes	Yes

The Trustee's policy is to delegate responsibility for engaging and monitoring investee companies to the investment manager and the Trustee expects 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 Trustee do not envisage being directly involved with peer-to-peer engagement in investee companies.

The Trustee has 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 Trustee 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 Trustee is 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	01/01/2023 – 31/12/2023
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	24
Number of engagements over the year	40

Exercising rights and responsibilities

The Trustee recognises 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 Trustee has been provided with details of what the investment manager considers to be the most significant votes. The Trustee has not influenced the manager's definition of a significant vote, but have reviewed it and are satisfied that it is reasonable and appropriate.

The Trustee 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.

Exercising rights and responsibilities (continued)

The Trustee considers 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	01/01/2023 – 31/12/2023
Number of meetings eligible to vote at	66
Number of resolutions eligible to vote on	703
Proportion of votes cast	94.6%
Proportion of votes for management	97.0%
Proportion of votes against management	2.7%
Proportion of resolutions abstained from voting on	0.3%

Trustee’s assessment

The Trustee has undertaken a review of the investment manager’s engagement policy including their policies in relation to financially material considerations.

The Trustee has 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 Trustee recognises 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/uk/intermediaries/literature-library/corporate-governance/our-stewardship-approach-esg-principles-and-guidelines/

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	Prysmian S.p.A.	Prologis, Inc.	Consolidated Edison, Inc.
Date of Vote	19/04/2023	04/05/2023	15/05/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.59	0.63	0.18
Summary of the resolution	Remuneration	Remuneration	Appoint/Pay Auditors
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	Yes	No	Yes
Rationale for the voting decision	Baillie Gifford opposed the resolution due to inappropriate use of discretion to increase vesting outcome of the long-term incentive award. Baillie Gifford believe the use of discretion should be carefully evaluated and used to support and prioritise the long-term prospects of the business. Baillie Gifford are not convinced that this use of discretion meets that bar.	Baillie Gifford opposed executive compensation because they do not believe the performance conditions for the long-term incentive plan are sufficiently stretching.	Baillie Gifford opposed the ratification of the auditor because of the length of tenure. Baillie Gifford believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.
Outcome of the vote	Pass	Fail	Pass

Appendix (continued)

Baillie Gifford Diversified Growth Fund	Vote 1	Vote 2	Vote 3
Implications of the outcome	Baillie Gifford will communicate their rationale for voting against the remuneration report. Baillie Gifford supported the forward-looking remuneration policy at the meeting, and anticipate supporting the remuneration report next year, but will continue to monitor for further use of discretion.	Baillie Gifford will re-iterate their expectation to the Company and monitor the evolution of pay going forward.	Baillie Gifford have abstained on the election of the auditor at Consolidated Edison for the last two years due to lengthy tenure (the external auditor has been in place since 1938). Although not a regulatory requirement in the U.S., they consider it best practice for the auditor to rotate at least every 20 years in order to maintain independence. Baillie Gifford have informed the company of their expectation but have not received a response. This year Baillie Gifford decided to escalate their voting action to oppose the auditor and will continue to share their expectations with the company.
Criteria on which the vote is assessed to be “most significant”	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because Baillie Gifford opposed the election of auditors.

Appendix (continued)

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	China Longyuan	NextEra Energy	Leadenhall Capital Partners
Topic	Climate Change	Environment	Social
Rationale	Baillie Gifford met with management to discuss three climate-related matters. Firstly, Baillie Gifford reached out to commend the company for its first-time Scope 1 and 2 emissions disclosure in its 2022 ESG Report, increasing transparency. Secondly, Baillie Gifford engaged to request details around Scope 3 emissions disclosure timelines. And thirdly, Baillie Gifford urged the company to make a formal commitment to an emissions reduction target to increase accountability.	To follow up on a set of wildfire risk exposure questions Baillie Gifford sent to the US-regulated utility NextEra Energy, to discuss how it approaches and mitigates physical climate risks. Baillie Gifford specifically sought to address the themes of (1) risk exposure, (2) preventative measures and accountability (3) customer electricity rates and regulatory cost recovery limitations.	Baillie Gifford met Leadenhall Capital Partners (LCP) to help them assess their potential new investment in its UCITS Cat Bond Fund. Baillie Gifford spoke with both the firm's senior management and those responsible for running the fund in question.

Appendix (continued)

Baillie Gifford Diversified Growth Fund	Case Study 1	Case Study 2	Case Study 3
What the investment manager has done	Decarbonising the power sector is vital in achieving global climate ambitions, and while this is the largest wind power operator in the world, the company still emitted >10 million tons of carbon dioxide from its coal power generation during 2022. Baillie Gifford's discussion centred around the company's environmental disclosure and what its intentions are regarding the establishment of emission reduction targets. Although this meeting confirmed to they that the company seems to be making progress in improving its environmental management and disclosure, this is slow and short-term in nature, given the environmental materiality of its operations. To complement the short-term coal disposal commitment (three years from IPO in 2022), Baillie Gifford would have also expected more to have been done to link the company's strategic ambitions to be a wind power leader and China's overarching and longer-term net zero ambition. Nevertheless, the coal disposal will be a game-changer for the company's emissions (itself a question of when rather than if).	Reliability is the key focus for the company's customers, followed closely by electricity bill affordability. With Floridian hurricane exposure in mind, the company has been focused on grid hardening (resilience) measures for well over a decade and the increasing challenges from a changing climate - including wildfires - have naturally become an extension of this well-established effort. Baillie Gifford discussed the range of operational and maintenance efforts employed strategically by the company, alongside cost recovery mechanisms via regulatory rate setting and grid hardening priorities over the much longer term.	The discussion focused on its ESG assessments of counterparties and the exclusions it applies to the fund. Baillie Gifford talked about diversity across the company and learned that the board has recently supported a new equality, diversity and inclusion policy as of November 2022.

Appendix (continued)

Baillie Gifford Diversified Growth Fund	Case Study 1	Case Study 2	Case Study 3
Outcomes and next steps	Learnings from this engagement are feeding into the ongoing review of the investment case for this holding.	This engagement forms part of a group of multi-asset engagements that have been taking place over the course of Q4 2023, focusing on wildfire risk exposure for our North American utility holdings. Written responses received from this group will be analysed alongside the direct conversations that have taken place, including this one, to build up a more detailed portfolio wildfire risk exposure picture based both on regulatory and geographic asset locations. This assessment and analysis will continue into the start of 2024.	This meeting helped Baillie Gifford to evaluate the ESG aspects of their investment and confirmed their understanding of what is significant to cat bonds as an asset class. While not a large part of their investment process, Baillie Gifford were reassured that consideration is given to the topic and that the fund in question is classed as 'Article 8' under The Sustainable Finance Disclosure Regulation.