

Engagement Policy Implementation Statement for the Year Ended 30 November 2024

Baxenden Chemicals Ltd Retirement Benefit Scheme (“the Scheme”)

1. INTRODUCTION

The Engagement Policy Implementation Statement (known as the Statement) presents the Trustees' assessment of their adherence to their engagement policy and their policy concerning the exercise of rights (including voting rights) attaching to the Scheme's investments throughout the one-year period ending 30 November 2024 (the “Scheme Year”). The Trustees' policies are outlined in their Statement of Investment Principles (SIP). The SIP was last reviewed in February 2021.

This Statement has been prepared in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* and the guidance published by the Department for Work and Pensions.

The Trustees have appointed Mercer Limited (Mercer) as the discretionary investment manager and the Scheme's assets are invested in a diverse range of specialised pooled funds (known as the Mercer Funds). The management of each of the Mercer Fund's assets is carried out by a Mercer affiliate, namely Mercer Global Investments Europe Limited (MGIE)

The relevant Mercer affiliate is responsible for the appointment and monitoring of a suitably diversified portfolio of specialist third party investment managers for the assets of each Mercer Fund.

Under these arrangements, the Trustees acknowledge that they do not possess direct authority over the engagement or voting policies and arrangements of the Mercer Funds' managers. Mercer's publicly available [Sustainability Policy](#) outlines how it addresses sustainability risks and opportunities, incorporating Environmental, Social and Corporate Governance (ESG) factors into the decision making process. The [Stewardship Policy](#) provides further details on Mercer's beliefs and implementation of stewardship practices.

Mercer's Client Engagement Survey aims to integrate the Trustees' perspectives on specific themes by evaluating the alignment between Mercer's engagement priority areas and those of the Trustees. Additionally, the survey highlights areas of focus that hold importance to the Trustees. The Trustees regularly review reports from Mercer regarding the engagement and voting activities conducted within the Mercer Funds to assess the alignment of these with their own.

Section 2 of this Statement outlines the Trustees' engagement policy and evaluates the extent to which it has been followed during the Scheme Year.

Section 3 sets out the Trustees' policy regarding the exercising of rights (including voting rights) attached to the Scheme's investments. This Section also provides detailed information on the voting activities undertaken by third-party investment managers appointed within the Mercer Funds during the Scheme Year.

Considering the analysis presented in Sections 2 to 3, the Trustees believe that their policies with regard to engagement and the exercise of rights attaching to investments have been successfully followed during the Scheme Year.

2. TRUSTEES' POLICY ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) ISSUES, INCLUDING CLIMATE CHANGE




Policy Summary

The Trustees ESG beliefs are outlined in Section 10 of the Scheme's SIP.

The Trustees regularly review Stewardship and Sustainability policies as noted above. If the Trustees find/finds that the relevant policies of Mercer, MGIE or the third-party asset managers do not align with their own beliefs they will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds. They may also seek to renegotiate commercial terms with Mercer.

How the Policy has been implemented over the Scheme Year

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change.

 Policy Updates	 Climate Change Reporting and Carbon Foot printing	 Mercer Ratings
<p>The Trustees regularly review how sustainability (including ESG factors), climate change and stewardship are integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers within the Mercer Funds, in their monitoring process. Mercer, and MGIE, provide reporting to the Trustees on a regular basis.</p> <p>The Mercer Sustainability Policy is reviewed regularly. In August 2023 the governance section was updated, and the climate scenario modelling section is now detailed in the standalone Task Force on Climate Related Financial Disclosures (TCFD) report.</p> <p>Similarly, the Mercer Stewardship Policy is reviewed regularly. In January 2024 the policy was updated to include nature engagement priorities, and climate and diversity, equity and inclusion (DEI) voting expectations.</p> <p>The Stewardship and Sustainability Policies have also been updated with the integration of nature and biodiversity as a key investment and engagement theme. Mercer is also a member of the Task Force for Nature Related Financial</p>	<p>Mercer and the Trustees believe climate change poses a systemic risk. Mercer's global investment philosophy recognises that:</p> <ul style="list-style-type: none"> • Portfolio resilience can be enhanced by integrating financially material sustainability, transition, and socioeconomic risks into investment decision-making. • Investing to solve long-term systemic issues may provide opportunities to improve risk-adjusted returns. • Effective stewardship can improve investment outcomes. <p>Mercer applies each of these three lenses when considering climate change. Climate change is a widely recognised systemic risk and Mercer considers the transition to a low carbon economy and the physical damages associated with global temperature increases via our climate scenarios analysis and Analytics for Climate Transition (ACT), which considers the alignment of portfolios to the low carbon transition.</p> <p>Mercer has committed to a target of net-zero absolute portfolio carbon emissions by 2050 for UK, European and Asian discretionary portfolios, and</p>	<p>Stewardship and active ownership form an important part of Mercer's ratings framework applied during the manager research process.</p> <p>Mercer's ratings include an assessment of the extent to which ESG factors are incorporated in a strategy's investment process as well as the manager's approach to stewardship.</p> <p>Across most asset classes, Mercer ratings are reviewed during quarterly monitoring by the portfolio management teams with a more comprehensive review performed annually. In these reviews, Mercer seek evidence of positive momentum on managers' ESG integration.</p> <p>These ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustees.</p> <p>Over 2023 Mercer leveraged the Nasdaq eVestment platform to distribute its Sustainability and Stewardship Survey, to capture and assess investment managers approaches to sustainability and stewardship across asset classes and insights on their consideration of Mercer's global engagement priorities. In 2024, a new module within MercerInsight accessing Nasdaq's</p>

Disclosures (TNFD) working group and a founding signatory of Nature Action 100.

The most recent UN Principles of Responsible Investment results (based on 2022 activity) awarded Mercer with 4 out of 5 stars for Policy Governance and Strategy. The United Nations Principles for Responsible Investment (UN PRI) is a global initiative that provides a framework for incorporating environmental, social, and governance (ESG) factors into investment practices.

The Financial Reporting Council confirmed in February 2024 that MGIE will remain a signatory to the UK Stewardship Code, based on its applications of the 12 principles, which represents best practice in stewardship.

relevant multi-client, multi-asset funds domiciled in Ireland. To achieve this, Mercer also established an expectation that portfolio carbon emissions intensity would reduce by 45% from 2019 baseline levels and is on track to achieve this. Mercer's approach to managing climate change risks is consistent with the framework recommended by the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD), as described in Mercer's latest Task Force on Climate Related Financial Disclosures Status Report.

As of 31 December 2023, Mercer's in-scope portfolios are on track to meet their long-term net zero portfolio carbon emissions reduction targets. There has been a notable 33% carbon intensity reduction over the 4 years since 2019 baseline levels for the Model Growth Portfolio used by most of Mercer's UK DB client base, bringing the 45% baseline-relative reduction by 2030 well within range.

collaboration with Matter, a specialist ESG data and analytics provider, was also introduced. This provides additional information analysing holdings in a fund portfolio to score the portfolio along several ESG attributes.



Approach to Exclusions

Mercer and MGIE's preference are to emphasise integration and stewardship approaches, however, in a limited number of instances, exclusions of certain investments may be necessary based on Mercer's Investment Exclusions or Sensitive Topics Frameworks. Controversial weapons and civilian firearms are excluded from all multi-client equity and fixed income funds. In addition, tobacco companies and nuclear weapons are excluded from active equity and fixed income funds. Some funds have additional exclusions as outlined on the Mercer Investment Solutions Europe - Responsible Investment website.

In addition, Mercer and MGIE monitors for high-severity incidences of the UN Global Compact (UNGC) Principles that relate to human rights, labour, environmental and corruption issues.



Sustainability-themed investments

An allocation to MGIE's Passive Sustainable Global Equities is included within the Scheme's portfolio of Growth assets, with the allocation accounting for c.7.7% of the Growth Portfolio.



Diversity

Mercer and the Trustees believe that diverse teams lead to better decision-making and have therefore taken several measures to work towards reflecting this view within Mercer's portfolio management team, the teams of the appointed managers and across portfolio holdings.

Participation in collaborative initiatives can also support raising awareness and contributing to initiatives across the broader industry.

Mercer Limited is a member of The Diversity Project, which seeks to accelerate progress towards a more inclusive culture in the investment and savings profession.

Mercer is also a member of the 30% Club – UK Investor Chapter and Irish Investor Chapter. The 30% Club is a business-led initiative that aims to increase gender diversity on corporate boards and in senior leadership positions.

Mercer considers broader forms of diversity in decision-making, but currently reports on gender diversity.

As at 31 December 2023 within the Mercer Active Fixed Income Funds, the average fund has 17% female Key Decisions Makers (KDM's) and within the Mercer Active Equity Funds, the average is 17%. This represents an increase of 4% and 6%

since 2021, for the Active Fixed Income and Active Equity Funds groups, respectively.



Engagement

Engagement is an important aspect of Mercer's stewardship activities on behalf of the Trustees. The 2024 Stewardship Report highlights the engagement objectives which have been set, examples of engagement and the escalation process. Mercer also participates in collaborative initiatives related to stewardship.

Mercer conducts an annual Global Manager Engagement Survey on sustainability and stewardship topics. The survey was distributed to over 200 managers appointed by the Mercer Funds. The survey aims to gather information on managers' broad approach to stewardship as part of their investment integration. It also seeks insights and examples of voting and engagement activities. The results from the survey serve as an important source of information for tracking and measuring the managers' stewardship efforts, assessing effectiveness, and identifying potential areas for improvement.

The results and insights from the survey will be shared in Mercer's Annual Stewardship Report. This report is reviewed by the Trustees providing them with valuable information on the managers' stewardship activities and their alignment with Mercer's objectives.

3. TRUSTEES' POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO SCHEME INVESTMENTS

The Trustees' policy is as follows:

- **Delegation of Investment Management:** The Trustees delegate/delegates responsibility for the discretionary investment management of Scheme assets to Mercer. The Scheme's assets are invested in a range of Mercer Funds for which MGIE or relevant Mercer affiliate acts as investment manager.
- **Reporting of Engagement and Voting:** In order for the Trustees to fulfil their obligations regarding voting and engagement, they require reporting on the engagement and voting activities undertaken within the Mercer Funds. This reporting helps the Trustees assess/assesses whether the policies align with their own delegation of voting rights: Voting rights that apply to the underlying investments attached to the Mercer Funds are ultimately delegated to the third-party investment managers appointed by MGIE. MGIE accepts that these managers are typically best placed to exercise voting rights and prioritise particular engagement topics, given their detailed knowledge of the governance and operations of the

invested companies. However, Mercer plays a pivotal role in monitoring the stewardship activities of those managers and promoting more effective stewardship practices, including attention to more strategic themes and topics.

- **Proxy Voting Responsibility:** Proxy voting responsibility is given to listed equity investment managers with the expectation that all shares are voted¹ in a timely manner and in a manner deemed most likely to protect and enhance long-term value. Mercer and MGIE carefully evaluates each sub-investment manager's capability in ESG engagement and proxy voting as part of the selection process, ensuring alignment with Mercer's commitment to good governance and the integration of sustainability considerations. Managers are expected to take account of current best practice such as the UK Stewardship Code, to which Mercer is a signatory. As such the Trustees do not use the direct services of a proxy voter.

A summary of the voting activity for a range of Mercer Funds in which the Scheme's assets are invested in is provided for the year ending 30 November 2024. This may include information in relation to funds that the Scheme's assets were no longer invested in at the year end. The statistics are drawn from the Glass Lewis system (via the custodian of the Mercer Funds). Glass Lewis is a leading provider of governance and proxy voting services.

Fund	Total Proposals		Vote Decision					For/Against Mgmt		Meetings	
	Eligible Proposals	Proposals Voted On	For	Against	Abstain	No Action	Other	For	Against	No.	Against
Mercer Multi-Asset Credit Fund ⁽¹⁾	48	35	73%	0%	4%	23%	0%	66%	34%	7	14%
Mercer Passive Global Equity CCF	20,394	17,677	76%	11%	0%	13%	0%	82%	18%	1429	70%
Mercer Passive Emerging Markets Equity Fund	22,408	21,072	74%	20%	2%	4%	0%	78%	22%	2701	54%
Mercer Passive Global REITS UCITS CCF	2,980	2,873	77%	19%	0%	3%	0%	78%	22%	312	69%
Mercer Passive Sustainable Global Equity UCITS CCF	16,745	16,223	77%	20%	1%	3%	0%	78%	22%	1130	81%

(1) Voting Activity figures for the Mercer Multi-Asset Credit fund relate to a small number of equity holdings within the fund's underlying segregated mandates. Please note this does not include voting activity from any underlying pooled strategies within the fund over the period

There are a number of limited circumstances where voting rights may not be exercised relating to, for example, conflicts of interest, share-blocking markets, power of attorney (POA) markets etc.

- "Eligible Proposals" reflect all proposals of which managers were eligible to vote on over the period
 - "Proposals Voted On" reflect the proposals managers have voted on over the period (including votes For and Against, and any frequency votes encompassed in the "Other" category)"
 - Vote Decision may not sum to 100 due to rounding. "No Action" reflects instances where managers have not actioned a vote. MGIE may follow up with managers to understand the reasoning behind these decisions, and to assess the systems managers have in place to ensure voting rights are being used meaningfully
 - "Other" refers to proposals in which the decision is frequency related (e.g. 1 year or 3 year votes regarding the frequency of future say-on-pay).
 - "Meetings No." refers to the number of meetings the managers were eligible to vote at.
- "Meetings Against" refers to the no. of meetings where the managers voted at least once against management, reported as a % of the total eligible meetings.

Significant Votes: The Trustees have based the definition of significant votes in line with the requirements of the Shareholder Rights Directive (SRD) II and on Mercer's Global Engagement Priority themes, The *most* significant proposals reported below relate to the three companies with the largest weight in each fund (relative to other companies in the full list of significant proposals), while considering Mercer's Global Engagement Priority Themes.

Where available, information on next steps and plans to escalate are included in the following table.

Most Significant Votes

Fund	Company (Holding Weight)	Meeting Date: Proposal Text (Significance Category)	Manager Vote Decision (Intention to vote against management communicated – Rationale, if available)	Proposal Outcome (Next steps to report, if any)
Mercer Passive Global Equity CCF	Apple Inc (4.0%)	28/2/2024 : Shareholder Proposal Regarding Congruency Report on Privacy and Human Rights Policies (Social)	Against (N/A - Apple provides shareholders with sufficient disclosure through its Supplier Code of Conduct and Supplier Responsibility Standards and Transparency Report, among other available documents, to assess its management of risks related to its operations in high-risk markets and to have policies and oversight mechanisms in place that seem to address human rights concerns and how the company aligns with its mission to protect human rights raised by the proponent. As such, shareholder support for the proposal is not warranted at this time.)	1.6% Support Proposal did not pass. (N/A)
	Apple Inc (4.0%)	28/2/2024 : Shareholder Proposal Regarding Equal Employment Opportunities (EEO) Policy Risk Report (Social)	Against (N/A - The company's EEO policy states Apple's commitment to equal employment opportunity, diversity, and inclusion. Its Business Code of Conduct states that it does not tolerate discrimination or harassment. The company discloses detailed information on its diversity and inclusion initiatives and metrics. The company appears to be providing shareholders with sufficient disclosure to evaluate its diversity and inclusion efforts and nondiscrimination policies, and including ideology and viewpoint in EEO policies does not appear to be a standard industry or market practice at this time. As such, shareholder support for this proposal is not warranted.)	1.3% Support Proposal did not pass. (N/A)

Apple Inc (4.0%)	28/2/2024 : Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report (Social)	For (No - Apple does not publish for its U.S. or global workforce the same gender pay gap statistic as it publishes in the UK. The median pay gap statistic provides benefits such as transparency and comparability across time and organizations and serves as one measure of representation of women and racial and ethnic minorities in senior positions. Because it is expressing a gap, it also carries an implied goal of eliminating the gap. As the company discloses for its U.K. workforce, investors would benefit from a report concerning the median pay gap data for its U.S. or its global workforce as a means of allowing them to better gauge how well the company is advancing opportunities for women globally and racial and ethnic minorities in the U.S. and mitigating risks relating to increasing public scrutiny on gender and racial/ethnic pay equity issues. Therefore, shareholder support for this proposal is warranted.)	30.9% Support Proposal did not pass. (Manager will continue to support reasonable shareholder resolutions that request increased disclosure in terms of gender and racial pay equity, particularly if this is a practice already carried out by Apple in one of their jurisdictions.)
Microsoft Corporation (4.5%)	07/12/2023 : Shareholder Proposal Regarding Equal Employment Opportunities (EEO) Policy Risk Report (Social)	Against (No - A vote against this proposal was warranted, as the company appears to be taking appropriate steps to protect itself against risks related to discrimination based on political ideology or viewpoint. The company's EEO Policy prohibits discrimination on the basis of political affiliation and there do not seem to be allegations of workforce discrimination.)	1% Support Proposal did not pass. (This was an example of a shareholder proposal with clear political intention but without any material evidence for the alleged political discrimination inside the company. The current EEO policy currently prohibits discrimination on the basis of political affiliation, therefore the request of the resolution was redundant.)
Microsoft Corporation (4.5%)	07/12/2023 : Shareholder Proposal Regarding Report on Climate Risk In Employee Retirement Options (Environmental)	For (No - A vote in favour of this resolution was warranted. While the company offers an option to employees that want to invest more responsibly, it is unclear how well employees understand the retirement plans available to them. The information requested in the report would not only complement and enhance the company's existing commitments regarding climate change, but also allow	9% Support Proposal did not pass. (While the resolution received relatively low support, the manager believes the proposal would have allowed the company to better align with their climate change commitments. The managers seeks consistency between the operations and

			shareholders to better evaluate the company's strategies and management of related risks.)	activities of companies and their climate commitments in a number of areas such as lobbying and capital expenditure. For this reason, this report could have aided the company's climate efforts.)
	Microsoft Corporation (4.5%)	07/12/2023 : Shareholder Proposal Regarding Report on Median Compensation and Benefits Related to Reproductive and Gender Dysphoria Care (Social)	<p>Against (No - The proponent is requesting that the company publish a report on median compensation and benefits gaps across gender as they address reproductive and gender dysphoria care. The proponent argues that by providing women employees travel and lodging reimbursements to receive abortion procedures the company is subsidizing women who opt to have abortions with a subsidy and disincentivizing those that opt to raise their children by providing no subsidy. Microsoft discloses information on its pay equity analysis and data. It also discloses its median unadjusted pay analysis and data. The company also provides information on the health and wellness related benefits it offers employees. These benefits include leave for new parents and family caregiver leave, adoption assistance, parenting classes and family support programs, as well as subsidized and discounted childcare and back-up care for children, adults, and elders.</p> <p>In contrast to the proponent's assertions, the company seems to provide significant support to women employees that opt to raise children. Overall, the company appears to provide sufficient information for investors to be able to gauge how the company is managing pay equity and health and wellness benefits related risks. Therefore, support for this proposal is not warranted at this time.)</p>	1% Support Proposal did not pass. (N/A)
Mercer Passive Sustainable Global Equity UCITS CCF	Apple Inc (5.5%)	28/2/2024 : Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report (Social)	For (No - A vote in favour was applied as the manager expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.)	30.9% Support Proposal did not pass. (Manager will continue to vote on this issue in line with our published diversity policy.)

Apple Inc (5.5%)	28/2/2024 : Shareholder Proposal Regarding Congruency Report on Privacy and Human Rights Policies (Social)	Against (N/A - A vote AGAINST this proposal is warranted. The company appears to provide shareholders with sufficient disclosure to assess its management of risks related to its operations in high-risk markets and to have policies and oversight mechanisms in place that seem to address human rights concerns raised by the proponent.))	1.6% Support Proposal did not pass. (N/A)
Apple Inc (5.5%)	28/2/2024 : Shareholder Proposal Regarding Equal Employment Opportunities (EEO) Policy Risk Report (Social)	Against (N/A - A vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.))	1.3% Support Proposal did not pass. (N/A)
Microsoft Corporation (7.7%)	07/12/2023 : Shareholder Proposal Regarding Equal Employment Opportunities (EEO) Policy Risk Report (Social)	Against (No - A vote AGAINST this proposal is warranted, as the company appears to be taking appropriate steps to protect itself against risks related to discrimination based on political ideology or viewpoint.)	1% Support Proposal did not pass. (Microsoft is a company with whom manager does have a direct relationship, and in their meetings with them, manager will continue to assess their processes and disclosures regarding ESG issues. Manager will continue to engage with our investee companies, publicly advocate our position on these issues and monitor company and market-level progress.)
Microsoft Corporation (7.7%)	07/12/2023 : Shareholder Proposal Regarding Report on Climate Risk In Employee Retirement Options (Environmental)	Against (No - A vote against is applied because the company's retirement plan is managed by a third-party fiduciary and employees are offered a self-directed option.)	8.8% Support Proposal did not pass. (Microsoft is a company with whom manager does have a direct relationship, and in our meetings with them, manager will continue to assess their processes and disclosures regarding ESG issues. Manager will continue to engage with our investee companies, publicly advocate our

				position on these issues and monitor company and market-level progress.)
Microsoft Corporation (7.7%)	07/12/2023 : Shareholder Proposal Regarding Report on Median Compensation and Benefits Related to Reproductive and Gender Dysphoria Care (Social)	Against	(No - A vote AGAINST this proposal is warranted, as the company appears to provide sufficient information for investors to be able to determine how the company is managing pay equity and health and wellness benefits related risks.)	1% Support Proposal did not pass. (To date, this has not been a topic of direct engagement with the company. Managers consider shareholder proposals on a case-by-case basis, in line with our published policies.)

Note – These funds, namely the **Mercer Global Small Cap Equity Fund, Mercer Passive Global REITS UCITS CCF, Mercer Passive Global Small Cap Equity UCITS CCF, Mercer Global Listed Infrastructure Fund, and MGI Eurozone Equity Fund**, do not have any votes deemed to be significant based on our definition of significant votes. Our definition specifically focuses on Mercer's Global Engagement Priority Themes.