

THE RENOLD PENSION SCHEME

Implementation Statement

Purpose of this statement

This implementation statement has been produced by the Trustee of the Renold Pension Scheme ("the Scheme") to set out the following information over the year to 5 April 2024:

- how the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes.

Given investment managers only report on voting and engagement data quarterly, the information is therefore provided over the year to 31 March 2024 (or 31 December 2023 where 31 March 2024 information is not available).

How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
- Annually the Trustee, with input from its investment adviser, receives and reviews (through the Implementation Statement) the voting information and engagement policies of its investment managers to ensure alignment with their own policies. The Trustee, with assistance from its investment adviser, believes that the voting and engagement activities undertaken by the investment managers on their behalf have been in the members' best interests. This exercise was undertaken following the 5 April 2024 Scheme year end.
- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the investment managers are in alignment with the Scheme's stewardship policies as set out in the Scheme's Statement of Investment Principles.

Stewardship policy

The Trustee's Statement of Investment Principles (SIP) describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in September 2020 and has been made available online here:

<https://schemedocs.com/download/renold-pension-scheme-statement-investment-principles-2020.pdf>

There have been no changes to the Trustee's stewardship policy over the year to 5 April 2024. The Trustee has delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities to the Scheme's investment managers. At this time, the Trustee has not set stewardship priorities for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

***Prepared by the Trustee of the Renold Pension Scheme
October 2024***

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Voting Data

The Plan invests entirely in pooled funds and therefore the Scheme's investment managers listed below vote on behalf of the Scheme's holdings in the pooled funds:

- Baillie Gifford & Co Limited ("Baillie Gifford");
- Legal and General Investment Management ("LGIM");
- Partners Group (UK) Limited ("Partners Group").

The Baillie Gifford Multi-Asset Growth and Partners Group Generations Fund, which invests across a diverse range of asset classes, and the LGIM Equity Funds are included below as the equity holdings of these funds carry voting rights.

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustee over the year to 31 March 2024. Voting is not applicable to the Alcentra European Direct Lending Fund, the Barings Global High Yield Credit Strategies Fund and the Liability Driven Investment ("LDI") holdings with LGIM as these funds invest only in fixed income assets, which do not have voting rights. Therefore, no voting data is presented for Alcentra, Barings or LGIM LDI for the purpose of this Implementation Statement.

Manager	Baillie Gifford	LGIM	LGIM	LGIM	LGIM	LGIM	Partners Group
Fund name	Multi Asset Growth Fund	Japan Equity Index Fund	North America Equity Index Fund	Europe (ex UK) Equity Index Fund	Asia Pacific (ex Japan) Developed Equity Index Fund	UK Equity (5% Capped) Passive Fund	Generations Fund
Structure	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behavior.						
No. of eligible meetings	51	514	645	542	461	700	67
No. of eligible votes	517	6,103	8,731	9,556	3,279	10,363	999

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Manager	Baillie Gifford	LGIM	LGIM	LGIM	LGIM	LGIM	Partners Group
% of resolutions voted	91.5	100.0	99.8	99.7	100.0	99.8	100.0
% of resolutions abstained	0.6	0.0	0.0	0.4	0.0	0.0	1.0
% of resolutions voted with management ¹	96.8	88.0	65.4	80.6	74.9	94.4	93.0
% of resolutions voted against management ¹	2.5	12.0	34.6	19.0	25.1	5.6	6.0
Proxy voting advisor employed	Voting is in line with their in-house policy and not with proxy voting providers' policies.	-----Institutional Shareholder Services (ISS)-----					Glass Lewis
% of resolutions voted against proxy voter recommendation ²	n/a	9.8	29.0	10.7	16.1	4.7	4.0

Totals may not sum due to rounding.

Sources: Baillie Gifford, LGIM, Partners Group.

Data as at 31 March 2024 for Baillie Gifford and LGIM. Data for Partners Group is shown at the most recent date available, 31 December 2023.

¹ As a percentage of the total number of resolutions voted on.

² Baillie Gifford do not delegate/ outsource any stewardship activities and all client voting decisions are made in-house in line with their policy. LGIM use a proxy adviser, ISS, which enables them to vote electronically but ultimately, all voting decisions are made by LGIM and based on LGIM's voting policies. Partners Group have created their own policy with Glass Lewis.

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Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities/ themes. At this time, the Trustee has not set stewardship priorities/ themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy. In future, the Trustee will consider the most significant votes in conjunction with any agreed stewardship priorities/ themes.

Baillie Gifford, Partners Group and LGIM have provided a selection of 10 or more votes which they believe to be significant. In the absence of agreed stewardship priorities, the Trustee has selected 3 votes from each manager, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Scheme. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below.

A summary of the significant votes provided is set out below, but further information on other significant votes is available upon request. For the Partners Group Generations Fund, private markets investments are the largest exposure within the Fund, and these are typically held directly, where Partners Group controls the board and therefore direction/strategy of the business. The Fund's exposure in listed equity is usually less than 10%. As a result, Partners Group have provided the ESG efforts of the Fund’s largest holdings instead of significant votes.

A summary of the significant votes provided to 31 March 2024 is set out on the following page.

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Baillie Gifford Multi Asset Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Montea NV	Rexford Industrial Realty Inc.	American Tower Corporation
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.2%	0.9%	0.3%
Summary of the resolution	Amendment of Share Capital	Remuneration	Appoint/Pay Auditors
How the manager voted	Yes	Against	Against
Rationale for the voting decision	Baillie Gifford supported two proposals which related to the renewal of the authorisation to increase share capital. They believe it is in the interest of shareholders for the company to have unfettered access to equity to enable them to exploit the current window of opportunity of external growth.	Baillie Gifford opposed the executive compensation policy as they do not believe the performance conditions are sufficiently stretching.	Baillie Gifford opposed the ratification of the auditor because of the length of tenure. They 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	Pass	Pass
Implications of the outcome	The company sought Baillie Gifford's opinions ahead of the shareholder meeting. Baillie Gifford were supportive of their request for capital as it puts the firm in a good position to exploit the current window of opportunity for external growth.	Following the AGM, Baillie Gifford contacted the company to explain their decision to oppose compensation for the second year in a row. This is due to concerns with the stringency of the performance targets which allow for payout when underperforming the chosen benchmark on total shareholder return. Baillie Gifford asked for them to increase the stringency of their targets. They have not yet had a response from the company but will monitor any changes.	Although not a regulatory requirement in the U.S., Baillie Gifford consider it best practice for the auditor to rotate at least every 20 years in order to maintain independence. Baillie Gifford asked about plans to tender last year but did not receive a response. This year they decided to escalate the voting action to oppose the auditor and will continue to share their expectations with the company.
Criteria on which the vote is considered "significant"	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because Baillie Gifford opposed remuneration.	This resolution is significant because Baillie Gifford opposed the election of auditors.

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LGIM Japan Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Toyota Motor Corp.	Mitsubishi UFJ Financial Group, Inc.	Daiichi Sankyo Co., Ltd.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.9%	1.8%	1.4%
Summary of the resolution	Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	To amend the articles of incorporation to publish a transition plan to align lending and investment portfolios with the Paris Agreement	Elect Director Manabe, Sunao
How the manager voted	For (Against Management Recommendation)	For (Against Management Recommendation)	Against (against management recommendation)
Rationale for the voting decision	<p>LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, LGIM believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.</p>	<p>LGIM continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met. A group of climate-focused NGOs has been active in this area in the Asian market for a number of years, resulting in the first climate-related proposal of its type at Mizuho ahead of its 2020 AGM. LGIM since has supported previous resolutions at each of these Japanese banks at their AGMs since 2020, and they have found that these proposals and the ensuing shareholder dialogue has helped drive improved disclosures and tighter policies at the companies. Therefore, LGIM supports this proposal to invigorate and encourage further strengthening of policies in line with science-based temperature-aligned pathways towards a net-zero-by-2050 world. They believe that the drafting of the resolution text is sufficiently general as not to be overly prescriptive on management given the binding nature of amending the articles of incorporation.</p>	<p>A vote against is applied due to the lack of meaningful diversity on the board.</p>
Outcome of the vote	Fail	Not provided	Not provided
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		

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	Vote 1	Vote 2	Vote 3
Criteria on which the vote is considered “significant”	LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, they expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.	LGIM considers this vote to be significant as they pre-declared their intention to support. They continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.

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LGIM North America Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Microsoft Corporation	Apple Inc.	Alphabet Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.2%	5.8%	1.8%
Summary of the resolution	Elect Director Satya Nadella	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	Approve Recapitalisation Plan for all stock to Have one-vote per share
How the manager voted	Against	Against	For (Against Management Recommendation)
Rationale for the voting decision	A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	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.	A vote in favour is applied as LGIM expects companies to apply a one-share-one-vote standard.
Outcome of the vote	Not provided	Fail	Fail
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress		LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.
Criteria on which the vote is considered "significant"	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.	LGIM views diversity as a financially material issue for their clients, with implications for the assets managed on their behalf.	This shareholder resolution is considered significant due to the relatively high level of support received.

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LGIM Europe (ex. UK) Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Novartis AG	TotalEnergies SE	Banco Santander SA
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.1%	1.7%	0.7%
Summary of the resolution	Re-elect Joerg Reinhardt as Director and Board Chair	Approve the Company's Sustainable Development and Energy Transition Plan	Approve Remuneration Policy
How the manager voted	For	Against (against management recommendation)	Against
Rationale for the voting decision	A vote for is applied following engagement with the company.	A vote against is applied as LGIM recognise the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, LGIM remain concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.	A vote against has been applied because awards are permitted to vest for below median relative performance which therefore fails the pay for performance hurdle. LGIM also highlight that the 5% salary raises for 2024 and future year increases to be given to the Executive Directors, including the Chair, will likely exacerbate existing concerns with the significant pay packages.
Outcome of the vote	Not provided		
Implications of the outcome	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. LGIM filed a shareholder resolution at Glencore's 2023 AGM and engagement continues.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
Criteria on which the vote is considered "significant"	LGIM views diversity as a financially material issue for their clients, with implications for the assets managed on their behalf.	LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.

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LGIM UK Equity (5% Capped) Passive Fund

	Vote 1	Vote 2	Vote 3
Company name	Shell Plc	BP Plc	Experian Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.9%	4.1%	1.3%
Summary of the resolution	Approve the Shell Energy Transition Progress	Re-elect Helge Lund as Director	Re-elect Mike Rogers as Director
How the manager voted	Against (against management recommendation)	Against	Against
Rationale for the voting decision	<p>A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products.</p> <p>However, they remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.</p>	<p>A vote against is applied due to governance and board accountability concerns. Given the revision of the company's oil production targets, shareholders expect to be given the opportunity to vote on the company's amended climate transition strategy at the 2023 AGM. Additionally, LGIM note concerns around the governance processes leading to the decision to implement such amendments.</p>	<p>A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executives' officers to include at least 1 female.</p>
Outcome of the vote	Pass	Not provided	Pass
Implications of the outcome	LGIM continues to undertake extensive engagement with Shell on its climate transition plans	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	
Criteria on which the vote is considered "significant"	LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	LGIM considers this vote to be significant given our long-standing engagement with the company on the issue of climate.	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets managed on their behalf.

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LGIM Asia Pacific (ex. Japan) Developed Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	National Australia Bank Limited	Westpac Banking Corp.	Goodman Group
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.1%	1.8%	0.9%
Summary of the resolution	Approve Transition Plan Assessments	Approve Westpac Climate Change Position Statement and Action Plan	Elect Stephen Johns as Director of Goodman Limited
How the manager voted	For	Against (Against Management Recommendation)	Against
Rationale for the voting decision	A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM acknowledge the Company's disclosures on sector policies and emissions reduction targets in this regard, they believe that additional reporting on how this is assessed in practice and any timelines associated with this in light of the Company's existing commitments is considered beneficial to shareholders.	A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While LGIM positively note the company's net-zero commitments and welcome the opportunity to voice their opinion on the bank's climate transition plan, they highlight some concerns with the scope of targets and disclosures. In particular, the bank has not committed to establish science-based targets and the sector policies notably on certain fossil fuels (such as unconventional oil and gas) and existing business relationships remains limited in scope.	A vote against is applied as LGIM expects a company to have a diverse board, with at least one-third of board members being women. LGIM expects companies to increase female participation both on the board and in leadership positions over time.
Outcome of the vote	Withdrawn	Pass	Pass
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	This shareholder resolution is considered significant due to the relatively high level of support received.	LGIM is publicly supportive of so called "Say on Climate" votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	LGIM views diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.

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Partners Group Generations Fund

	Vote 1	Vote 2	Vote 3
Company name	Breitling	Gren	Wedgewood Pharmacy
ESG effort	Each company represents a direct private equity investment in the Partners Group portfolio of companies, where Partners Group invest directly to obtain control and influence over their operations.		
Implications of the outcome	<p>Environmental: Since 2020, Breitling has measured its environmental impact, including greenhouse gas emissions, and developed measures to reduce the negative impact, mainly in its supply chain. Breitling aims to minimise its environmental impact, reducing Scope 1 + 2 emissions by 80% by 2032 and achieving net zero by 2050. The company supported various carbon removal and avoidance activities, partnering with Swiss service providers.</p> <p>Social: Breitling assessed equal pay for 1,658 employees in 19 countries, considering location, roles & tenure. The company achieved <1% adjusted pay gap in favour of women and earned the "Universal Fair Pay Analyst" award from FPI Fair Pay Innovation Lab.</p> <p>Governance: Breitling conducts a double materiality assessment every three years to consider how the company's actions impact people and planet but also how its business is affected by sustainability issues. Going forward, Breitling relies on the frequent materiality assessment to ensure identification of the right priority topics from a sustainability perspective.</p> <p>Sustainability performance is evaluated quarterly by an ESG Committee using key performance indicators. The committee reports to the Board, overseeing ESG topics. A Global Director of Sustainability and supporting staff implement the sustainability roadmap across the organisation.</p>	<p>Gren's Sustainability Strategy appoints ESG Responsibles at board, executive, and leadership levels within 100 days, covering environmental, social, and governance aspects.</p> <p>Environmentally, Gren aim to reduce their carbon footprint by developing a GHG reduction strategy and collaborating with EY for a GHG accounting system, targeting a 73% GHG emissions reduction by 2030. Their plan includes increasing renewable energy production to over 90% by 2030 and diversifying into wind farms, solar, and green hydrogen. They focus on protecting ecosystems and biodiversity through sustainable sourcing and encouraging customers to transition to renewable energy.</p> <p>Socially, Gren prioritises Health & Safety, striving for zero work-related illnesses, accidents, or fatalities. They aim to maintain high employee engagement by fostering a positive work experience and organisational culture.</p> <p>Governance-wise, Gren's focus includes board, executive, and operational ESG responsibilities, strengthened information security management, updated business resilience and continuity plans, and improved information security maturity levels through annual cybersecurity assessments.</p>	<p>Environmental: Wedgewood Pharmacy has completed its Scope 3 footprint assessment for 2022, ensuring that its environmental impact is measured and aligns with its Greenhouse Gas Reduction objectives. The company also identified sustainable materials and packaging alternatives, including foam pack inserts, ice bricks, coolers, vials, and auto bags or plastic bags, demonstrating their commitment to eco-friendly practices.</p> <p>Social: Regarding Health & Safety, Wedgewood Pharmacy has met its goals for recordable incidents through July and completed over 95% of its Active Shooter training and EHS Leads have been identified at all Blue Rabbit Operations locations. Furthermore, they have participated in community initiatives such as California's 2nd Harvest food bank volunteering.</p> <p>Governance: A draft Corporate Health & Safety Policy awaits review and approval. Cybersecurity has been enhanced with two-step authentication for OneDrive, and users are now required to acknowledge and sign the Acceptable Use Policy.</p> <p>The company is tying together the marketing and R&D teams on a sustainable packaging initiative and is currently growing its ESG Team to develop further project milestones on their ESG Journey (e.g., cybersecurity).</p>

Data shown at the most recent date available 31 December 2023.

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Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI holdings with LGIM due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Derivatives are contracts which the scheme or LDI pooled fund will trade with banks and ESG factors can be applied to banks. However, choosing which bank to trade derivatives with is a distinctly different decision to deciding which bank to buy shares in, whereby ESG factors would be an important consideration. This is because the derivatives that the pension scheme or LDI fund holds are collateralised and/or centrally cleared which reduces the risk that if a bank defaults, there is an adverse effect on the scheme or LDI fund. Engagement therefore has a largely limited impact on the holdings.

The table below summarises the engagement undertaken by each of the Scheme's investment managers over the year to 31 March 2024.

Manager	Baillie Gifford	Barings	LGIM	Partners Group	Alcentra
Fund name	Multi Asset Growth Fund	Global High Yield Credit Strategies Fund	UK Equity (5% Capped) Passive Fund; North America Equity Index Fund; Europe (ex. UK) Equity Index Fund; Japan Equity Index Fund; Asia Pacific (ex. Japan) Developed Equity Index Fund	Generations Fund	European Private Credit
Number of engagements undertaken on behalf of the holdings in this fund in the year	11	260	UK Equity (5% Capped) Passive Fund; 311 North America Equity Index Fund; 234 Europe (ex. UK) Equity Index Fund; 87 Japan Equity Index Fund; 68 Asia Pacific (ex. Japan) Developed Equity Index Fund; 115	Data not available	145*
Number of engagements undertaken at a firm level in the year	748	490	2,144	Data not available	436*

Sources: Baillie Gifford, Barings, LGIM, Partners Group, Alcentra

*The engagement numbers provided by Alcentra include 54 responses to their ESG questionnaires for Private Credit

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Examples of engagement activity undertaken over the year to 31 March 2024

Baillie Gifford Multi Asset Growth Fund: EDP Renovaveis, S.A.

As a key investor in EDPR, Baillie Gifford were offered a meeting with the company's CEO, Miguel Stilwell d'Andrade. Baillie Gifford have been an active shareholder of EDPR for many years and this formed part of their ongoing conversations.

The Multi-Asset Team's Infrastructure Lead and ESG Analyst joined this engagement. They discussed how the political and regulatory environment has changed over the last year, standout non-financial factors, and the impact of inflation on its new projects.

This meeting delved into the drivers behind EDPR's new business plan, which sets out its ambitions to accelerate renewable deployment. This has been progressed by its recent capital raise. Baillie Gifford were reassured by management's comments that every new project must earn a reasonable spread over the company's cost of capital for EDPR to proceed with the investment. They also shared their perspectives and gained insight from Miguel on EDPR's community relations, health and safety record, and culture.

Barings Global High Yield Credit Strategies Fund: European Provider of Mental and Physical Rehabilitation Services

The Barings High Yield team is part of a lending agreement with a European Provider of mental and physical rehabilitation services which implemented three margin ratchets since 2021 that are triggered on an annual basis of three KPIs being achieved. Two relate to the quality of care and one to greenhouse gas emissions.

In response to this, Barings' voting recommendation was to vote against the consent request. While an increase in business footprint through acquisitions is understandable, the lack of carbon data which is considered material ESG information and should be part of due diligence of acquired businesses, means Barings' view was that the waiver would be negative for lenders, seeing a 7.5bp decline to margins with no upside from increased disclosure.

LGIM: Kansai Electric Power

Kansai Electric Power are one of the largest electric utilities companies in Japan. LGIM identified several governance areas for improvement, noting that the company appears to lag some of their minimum expectations on board composition. This is linked to the stewardship priority regarding board ethics and governance. LGIM believe that through its improvement, it could have a positive influence more broadly upon this sector in Japan.

Following a bribery scandal in 2020 involving former directors, LGIM noted that the company underwent significant changes to improve governance. LGIM believe these changes have been positive, but still observe some areas where they think improvements could be made, relative to their minimum expectations. Specifically, these include:

- Director independence and the presence of executives on committee which LGIM think should be fully independent (e.g., the Remuneration Committee);
- Cross-shareholdings; and
- Limits to tenure of senior advisors to the board.

LGIM noted that they are pleased that the company meets their expectations for gender diversity in Japan (15% female representation on the board), which they also expect to increase over time. Regarding climate change and LGIM's expectations under the Climate Impact Pledge, they noted the company's lack of interim emissions targets and lack of time-bound commitment to exit coal-fired power generation as an area for discussion and engagement.

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Alcentra: Consumer markets insights provider

Alcentra acts as the shareholder for the company and has been since 2020. Through this role Alcentra have installed ESG as a central pillar to the group strategy leading to significant governance reforms. The board structure has been enhanced by appointing an independent non-executive director as Chairman, fostering better decision-making. ESG matters are now a regular feature of board discussions, with transparent and documented processes. Efforts to strengthen cyber and digital infrastructure have led to ISO 9001 and ISO 27001 certifications, reflecting improved IT foundations. Additionally, a "best-in-class" supply chain policy is being implemented following a review by Ecovadis.

On the social front, the company earned the Committed Ecovadis badge in 2023, an improvement from its bronze rating in 2017. There has also been increased community involvement, with the CFO contributing to pro bono workshops for a charity. In terms of environmental responsibility, the company has adopted a digital-first approach, reducing material consumption and working with clients promoting environmentally and socially responsible products.

Key outcomes from these initiatives include a revamped board structure, the implementation of a diversity and inclusion policy, and the calculation of the gender pay gap for the first time in 2023, which currently stands at 4%. Carbon reduction targets have been set, and discussions on community service, employee satisfaction, and diversity KPIs are ongoing. Engagement has also led to a rise in charitable community hours and an increase in minority representation within the company.