

The Pandrol Group Pension Scheme

Implementation Statement

Purpose of this statement

This Implementation Statement has been prepared by the Trustee of the Pandrol Group Pension Scheme (“the Scheme”) and sets out the following information over the year to 31 March 2022:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement have been followed over the year.
- A summary of 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.

Trustee’s policies on voting and engagement

The Trustee’s Statement of Investment Principles (SIP) describes the Trustee’s policies on the exercise of rights (including voting rights) and engagement activities as follows:

“The Trustee’s policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee’s behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee’s rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.”

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.
- The Trustee undertook an initial review of the stewardship and engagement activities of the current managers when considering its own policy and updating the Statement of Investment Principles, and was satisfied that the manager policies were reasonable and no remedial action was required at that time.
- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund managers are in alignment with the Scheme’s stewardship policies.

**Trustee of the Pandrol Group Pension Scheme
July 2022**

Voting Data

The majority of the Scheme's assets are held in funds that do not hold securities with attaching votes. As such, this only the managers have been asked to supply voting data in respect of only the Columbia Threadneedle Dynamic Real Return Fund and the LGIM Global Equity MW(30:70) – 75% GBP Hedged Fund. The investment managers of these funds vote on behalf of the Trustee and information on the votes made over the year are summarised below.

Manager	LGIM	Columbia Threadneedle
Fund name	Global Equity MW(30:70) – 75% GBP Hedged Fund	Dynamic Real Return Fund
Structure	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 behaviour directly.	
No. of eligible meetings	7,142	389
No. of eligible votes	72,767	4,939
% of resolutions voted	99.9%	100%
% of resolutions abstained¹	1.1%	1.6%
% of resolutions voted with management¹	82.0%	93.0%
% of resolutions voted against management¹	16.9%	5.4%
Proxy voting advisor employed	ISS (All voting decisions are made by LGIM)	ISS and Glass Lewis
% of resolutions voted against proxy voter recommendation	9.2%	Proxy voting decisions are made in accordance with Threadneedle's Proxy Voting Principles. For those proposals not covered by the Principles, or those proposals set to be considered on a case by case basis, the analyst covering the company or the portfolio manager that owns the company will make the voting decision.

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

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires some 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, so for this Implementation Statement the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. LGIM and Columbia Threadneedle have provided a selection of votes which they believe to be significant, and in the interest of concise reporting the tables below show 3 of these votes for each fund.

A summary of the significant votes provided is set out below.

LGIM Global Equity MW(30:70) – 75% GBP Hedged Fund

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Microsoft Corporation	Amazon.com, Inc.
Date of vote	4 March 2022	30 November 2021	26 May 2021
Summary of the resolution	Report on Civil Rights Audit	Elect Director Satya Nadella	Resolution 1a Elect Director Jeffrey P. Bezos
How the manager voted	For	Against	Against
Rationale for the voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as LGIM consider these issues to be a material risk to companies.	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences.
Outcome of the vote	53.6% voted in favour of the resolution.	94.7% voted in favour of the resolution.	95.1% voted against the resolution.
Implications of the outcome	LGIM will continue to engage with the investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	LGIM will continue to engage with the 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 views gender diversity as a financially material issue for their clients, with implications for the assets we manage on their behalf.	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team’s five-year ESG priority engagement themes.	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Columbia Threadneedle Dynamic Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Caterpillar Inc.	Royal Dutch Shell Plc	Eli Lilly and Company
Date of vote	9 June 2021	18 May 2021	3 May 2021

	Vote 1	Vote 2	Vote 3
Summary of the resolution	Report on Climate Policy	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions.	Report on Lobbying Payments and Policy
How the manager voted	For	Abstain	For
Rationale for the voting decision	Supporting better ESG risk management disclosures	Not in shareholders' best interest	Supporting better ESG risk management disclosures
Outcome of the vote	The resolution did not pass.	The resolution did not pass.	The resolution did not pass.
Implications of the outcome	Active stewardship (engagement and voting) continues to form an integral part of their research and investment process.		
Criteria on which the vote is considered "significant"	Threadneedle voted against management.		

Fund level engagement

The following table sets out the engagement data for all funds the Scheme has been invested in over the year. LGIM were unable to provide engagement at a fund level and so all LGIM funds have been grouped together and the data in the LGIM column is at a firm-wide level.

Manager	LGIM	Columbia Threadneedle
Fund name	Matching Core LDI Funds, Sterling Liquidity Fund, Buy and Maintain Credit Fund and Global Equity MW(30:70) – 75% GBP Hedged Fund	Dynamic Real Return Fund
Number of engagements undertaken at a firm level in the year	696	238
Examples of engagements undertaken with holdings in the fund	<p>The top engagement topics over the year to 31 March 2022 includes remuneration, climate change, board composition, climate impact pledge, public health etc.</p> <p>LGIM co-filed a shareholder resolution calling on Sainsbury's to become a living-wage accredited employer by its AGM in 2023. Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited. LGIM decided to co-file this resolution because of Sainsbury's decision to split its London employees into 'inner' and 'outer' London, with those in 'outer' London paid less than the real living wage of £11.05 per hour ('outer' London employees were offered £10.50 per hour. LGIM were delighted to see that on 8 April 2022, Sainsbury's announced that it would increase the wages of their 'outer' London employees to match their 'inner' London employees.</p>	<p>Pollution is the significant concern with Southern Water and Threadneedle have engaged with them on this topic since June 2017, when Ofwat opened an investigation into Southern water over the deliberate misreporting of pollution discharges from wastewater treatment works since 2010.</p> <p>Threadneedle continued to engage with Southern directly, together with a meeting in late 2017 to assess any real changes to the culture, governance, investment in asset resilience, relations with Ofwat as well as new targets for operations, ratings and leverage. The company began meeting regulatory targets but continued to find areas of improvement. Threadneedle felt a real difference; their investment thesis consequently turned less negative. In their most recent meeting the new management team noted continued improvement but further work is necessary.</p>