

# The Pandrol Group Pension Scheme

## Implementation Statement

### Purpose of this statement

This implementation statement has been produced by the Trustees of the **Pandrol Group Pension Scheme ("the Scheme")** to set out the following information over the year to **31 March 2024**:

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

### Stewardship policy

The Trustees' 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 April 2024 and has been made available online here: [2024-Pandrol-Group-Pension-Scheme-SIP.pdf](#)

The Trustees' stewardship policy is set out in the Scheme's policies on voting and engagement, which forms part of the Statement of Investment Principles. To enable the Trustees to make high quality decisions, the fact-finding and analysis is delegated to the Trustees' independent investment advisor.

Given the Scheme solely invests through pooled investment vehicles where the Scheme's assets only represent a small proportion of the capital invested in the funds, the Trustees adopted the stewardship priorities of the fund manager, Legal & General ("LGIM"), as the stewardship priorities of the Scheme. The following stewardship themes as the stewardship priorities of the Scheme:

- People;
- Nature;
- Health;
- Digitisation;
- Governance;
- Climate

### How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that their 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 Trustees undertook an initial review of the stewardship and engagement activities of the current managers at their 21 July 2023 meeting and decided to adopt LGIM's stewardship priorities. As such, they were satisfied that their policies were reasonable and no remedial action was required at that time.

- Annually the Trustees receive and review voting information and engagement policies from the asset managers, which they review to ensure alignment with the Trustees' stewardship priorities and policies. This exercise was also undertaken on 21 July 2023.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable that the actions of their fund managers are in alignment with the Scheme's stewardship policies.

**Prepared by the Trustees of the Pandrol Group Pension Scheme  
July 2024**

## Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustees over the year to 31 March 2024. The Scheme's protection portfolio (made up of cash, gilts and corporate bonds) with Legal and General Investment Management (LGIM) has no voting rights and limited ability to engage with key stakeholders given the nature of the mandate.

The data provided for Baillie Gifford is for the year to 31 March 2024, noting that the Scheme fully disinvested from the Baillie Gifford Diversified Growth Fund part way through the year, on 17 January 2024. As such, the only managers that have been asked to supply voting data in respect to the Scheme's holdings are the LGIM Global Equity MW (30:70) – 75% GBP Hedged Fund and the Baillie Gifford Diversified Growth Fund. All data provided by Baillie Gifford is for the year to 31 March 2024.

| Manager  | LGIM  | Baillie Gifford  |
|--|---|--|
| <b>Fund name</b>   | Global Equity MW(30:70) – 75% GBP Hedged Fund   | Diversified Growth Fund  |
| <b>Structure</b>   | Pooled  |  |
| <b>Ability to influence voting behaviour of manager</b>          | The segregated mandate allows the Trustees to engage with the manager and influence their voting behaviour. | The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.                    |
| <b>No. of eligible meetings</b>                                  | 7,147   | 66   |
| <b>No. of eligible votes</b>                                     | 72,082  | 690  |
| <b>% of resolutions voted</b>                                    | 99.9%   | 94.1%  |
| <b>% of resolutions abstained<sup>1</sup></b>                    | 0.5%  | 0.5%   |
| <b>% of resolutions voted with management<sup>1</sup></b>        | 80.9%   | 96.8%  |
| <b>% of resolutions voted against management<sup>1</sup></b>     | 18.6%   | 2.8%   |
| <b>Proxy voting advisor employed</b>                             | ISS<br>(All voting decisions are made by LGIM)  | All voting decisions are made by Baillie Gifford, whilst they are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis). |
| <b>% of resolutions voted against proxy voter recommendation</b> | 10.7%   | N/A  |

<sup>1</sup> As a percentage of the total number of resolutions voted on

## Significant votes

LGIM and Baillie Gifford have provided a selection of votes which they believe to be significant. The Trustees selected the three of the most significant votes for each fund which relate to the stewardship priorities of the Scheme.

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  |
|--|--|---|---|
| <b>Company name</b>  | Microsoft Corporation  | Apple Inc.  | Shell Plc   |
| <b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b> | 2.9  | 2.7   | 2.1   |
| <b>Summary of the resolution</b>   | Elect Director Satya Nadella   | Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy   | Approve the Shell Energy Transition Progress  |
| <b>How the manager voted</b>   | Against  | Against   | Against   |
| <b>Rationale for the voting decision</b>   | Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. | Shareholder Resolution - Environmental and Social: 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. | Climate change: 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. 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. |
| <b>Outcome of the vote</b>   | Pass   | Fail  | Pass  |
| <b>Implications of the outcome</b>   | LGIM will continue to engage with LGIM investee companies, publicly advocate their position on this issue and monitor company and market-level progress.   | LGIM will continue to engage with LGIM investee companies, publicly advocate their position on this issue and monitor company and market-level progress.  | LGIM continues to undertake extensive engagement with Shell on its climate transition plans.  |
| <b>Related stewardship priorities</b>  | Governance   | People and governance   | Climate   |

## Baillie Gifford, Diversified Growth Fund\*

|  | Vote 1  | Vote 2  | Vote 3   |
|--|---|---|--|
| <b>Company name</b>  | Montea NV   | Prologis, Inc.  | American Tower Corporation   |
| <b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b> | 0.2   | 0.6   | 0.2  |
| <b>Summary of the resolution</b>   | Routine Business  | Remuneration  | Appoint/Pay Auditors   |
| <b>How the manager voted</b>   | For   | Against   | Against  |
| <b>Rationale for the voting decision</b>   | 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 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. 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.  |
| <b>Outcome of the vote</b>   | Pass  | Fail  | Pass   |
| <b>Implications of the outcome</b>   | The company sought Baillie Gifford's opinions ahead of the shareholder meeting. They were supportive of their request for capital as it puts them into a good position to exploit the current window of opportunity for external growth.  | Baillie Gifford will re-iterate their expectation to the Company and monitor the evolution of pay going forward.  | 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. They asked about plans to tender last year but did not receive 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. |
| <b>Related stewardship priorities</b>  | Governance  | Governance  | Governance   |

\*The Scheme fully disinvested from Baillie Gifford on 17 January 2024, data provided covers the year to 31 March 2024.

## Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. 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 and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

| Manager   | LGIM  | Baillie Gifford              |                         |
|---|---|------------------------------|-------------------------|
| Fund name   | Global Equity MW(30:70) – 75% GBP Hedged Fund | Buy and Maintain Credit Fund | Diversified Growth Fund |
| Number of entities engaged on behalf of the holdings in this fund in the year | 681   | 83                           | 21                      |
| Number of engagements undertaken at a firm level in the year                  | 2,486   |                              | 744                     |

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

### LGIM

The key engagement topics at a firm level over the year to 31 March 2024 included:

- Ethnic diversity
- Climate
- Water pollution
- Nutrition
- Deforestation

One example of LGIM's engagement is regarding diversity disclosures in the US. As part of the Midwest Investors Diversity Initiative (MIDI), LGIM is leading on engagement with three companies within the Russell 3000 that are not meeting expectations around diversity disclosure. They sent letters to three companies requesting to meet and discuss strengthening their policy regarding the consideration of women and people of colour as board candidates, and adopting disclosure best practice regarding the demographic make-up of the companies' workforces.

### Baillie Gifford, Diversified Growth Fund

#### China, Longyuan Power Group

Baillie Gifford met with management to discuss three climate-related matters. Firstly, they reached out to commend the company for its first-time Scope 1 and 2 emissions disclosure in its 2022 ESG Report, increasing transparency. Secondly, they engaged to request details around Scope 3 emissions disclosure timelines. And thirdly, they urged the company to make a formal commitment to an emissions reduction target to increase accountability.

Their discussion with management centred around the company's environmental disclosure and what its intentions are regarding the establishment of emission reduction targets. According to Baillie Gifford, the company seems to be making progress in improving its environmental management and disclosure, though it 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 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.