

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 2023:

- 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.

Stewardship policy

The Trustee’s Statement of Investment Principles (SIP) in force at 31 March 2023 describes the Trustee’s stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in February 2023 and has been made available online here: <https://www.pandrol.com/wp-content/uploads/2020/09/2023-02-Pandrol-SIP-v0.2-clean.pdf>

At this time, the Trustees have not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course.

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 Trustees receive and review voting information and engagement policies from the asset managers, which they review to ensure alignment with the Trustees stewardship policies/priorities. The Trustees believe that the voting and engagement activities undertaken by the asset managers on their behalf have been in the members’ best interests. This exercise was undertaken on 26 July 2022.
- The Scheme has appointed a new manager for Diversified Growth Fund mandate over the year and stewardship and voting policies were considered as part of the manager selection exercise, alongside all other material factors. The new manager is rated “high conviction” by our investment advisors for stewardship and voting, and the Trustees are comfortable that the manager is suitable across all criteria considered.

**Trustee of the Pandrol Group Pension Scheme
June 2023**

Voting Data

The majority of the Scheme's assets are held in funds that do not hold securities with attaching votes. As such, the only managers that have been asked to supply voting data in respect to the Schemes holdings are the Columbia Threadneedle Dynamic Real Return Fund, the Baillie Gifford Diversified Growth 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. The data provided for Columbia Threadneedle is for the year to 31 March 2023, noting that the Scheme fully disinvested from this fund part way through the year, during July 2022.

Manager	LGIM	Columbia Threadneedle	Baillie Gifford
Fund name	Global Equity MW(30:70) – 75% GBP Hedged Fund	Dynamic Real Return Fund	Diversified Growth Fund
Structure	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	7,319	48	97
No. of eligible votes	76,499	696	1,061
% of resolutions voted	99.9%	100%	97.9%
% of resolutions abstained¹	1.1%	3.0%	1.0%
% of resolutions voted with management <small>Error! Bookmark not defined.</small>	80.7%	86.8%	95.8%
% of resolutions voted against management¹	18.2%	10.2%	3.3%
Proxy voting advisor employed	ISS (All voting decisions are made by LGIM)	ISS and Glass Lewis	All voting decisions are made by Baillie Gifford, whilst they are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis).
% of resolutions voted against proxy voter recommendation	9.7%	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.	n/a

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”. 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. 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.

LGIM, Baillie Gifford 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	Royal Dutch Shell Plc	Amazon.com, Inc.	BP Plc
Date of vote	24 May 2022	25 May 2022	12 May 2022
Summary of the resolution	Approve the Shell Energy Transition Progress Update	Elect Director Daniel P. Huttenlocher	Approve Net Zero - From Ambition to Action Report
How the manager voted	Against	Against	For
Rationale for the voting decision	LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030. However, they remain concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets.	A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	While LGIM note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is their view that the company has taken significant steps to progress towards a net zero pathway.
Outcome of the vote	79.9% voted against	93.3% voted for	85.5% voted for
Implications of the outcome	LGIM will continue to engage with their 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 considers this vote significant as it is an escalation of their climate-related engagement activity and public call for high quality and credible transition plans to be subject to a shareholder vote..	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and public call for high quality and credible transition plans to be subject to a shareholder vote.

Baillie Gifford Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	CBRE Group, Inc	LEG Immobilien SE	Fraport AG Frankfurt Airport Services Worldwide
Date of vote	18 May 2022	19 May 2022	24 May 2022
Summary of the resolution	Shareholder Resolution – Governance	Remuneration	Remuneration
How the manager voted	Against	Against	Against
Rationale for the voting decision	Baillie Gifford opposed a shareholder resolution to lower the threshold for shareholders to call a special meeting as they consider that the existing threshold is appropriate.	Baillie Gifford opposed the executive compensation policy as they do not believe the performance conditions are sufficiently stretching.	The manager opposed the resolution to approve the remuneration report because the company exercised discretion to amend the performance conditions attached to the 2018 LTIP, which Baillie Gifford do not believe to be in the best interest of shareholders.
Outcome of the vote	The resolution did not pass.	The resolution passed.	The resolution passed.
Implications of the outcome	Baillie Gifford intend to follow up with the company later in a year to speak about governance developments.	Following the vote decision, Baillie Gifford have reached out to the company to let them know about their dissent on remuneration and set out their expectation on pay.	Baillie Gifford took the decision to oppose the remuneration report due to the committee's decision to make in-flight adjustments to the 2018 LTIP (Long-Term Incentive Plan). Noting that under the relative TSR (Total Shareholder Return) metric in the LTIP, threshold vesting occurs at 25% below index average. While Baillie Gifford believe the metric itself to be sensible, they do not believe incentive pay should start paying out at below median performance as this gives potential for reward for underperformance.
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 remuneration.

Columbia Threadneedle Dynamic Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	General Motors Company	Alphabet Inc.	Uber Technologies, Inc.
Date of vote	13 June 2022	1 June 2022	9 May 2022

	Vote 1	Vote 2	Vote 3
Summary of the resolution	Report on the Use of Child Labour in Connection with Electric Vehicles	Commission Third Party Assessment of Company's Management of Misinformation and Disinformation Across Platforms	Report on Lobbying Payments and Policy
How the manager voted	For	For	For
Rationale for the voting decision	Supporting better ESG risk management disclosures		
Outcome of the vote	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 on certain environmental or social topics which received over 20% dissent.		

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	Baillie Gifford
Fund name	Matching Core LDI Funds, Sterling Liquidity Fund, Gilt Funds, Buy and Maintain Credit Fund and Global Equity MW(30:70) – 75% GBP Hedged Fund	Dynamic Real Return Fund	Diversified Growth Fund
Number of engagements undertaken at a firm level in the year	1,685	177*	1,255

Manager	LGIM	Columbia Threadneedle	Baillie Gifford
<p>Examples of engagements undertaken with holdings in the fund</p>	<p>The top engagement topics over the year to 31 March 2023 includes remuneration, climate change, board composition, public health etc.</p> <p>LGIM has undertaken numerous engagements with the Capricorn board over the past nine months to express their widespread concerns with the transactions the board has proposed, including the NewMed transaction. In particular, LGIM noted the timing of the proposed meetings as a matter of grave concern. The decision to hold the company's meeting before the shareholder requisitioned meeting appeared to be a direct attempt to undermine due process. It was LGIM's view that meaningful board change was needed to restore investor confidence.</p> <p>The company announced the resignation of the seven directors who were proposed to be removed, and in the shareholder AGM held on 1 February 2023, all six directors proposed by the proponent were elected by an overwhelming majority of 99.2% of the votes cast. The newly constituted board intended to conduct a comprehensive strategic review of Capricorn's business and potential directions for the future.</p>	<p>Threadneedle engaged with NextEra Energy to gain further insight on the impact of the US Inflation Reduction Act (IRA), as well as the implementation of forced labour rules on the solar supply chain in the US.</p> <p>Threadneedle engaged with the CEO of Air Liquide to gain insight on the investment and growth plans surrounding hydrogen and energy transition technologies. The manager was given comfort that the company is continuing to make improvements in its climate targets without having a negative impact on their financials.</p>	<p>Baillie Gifford met with management of Genus in April 2022, including an introductory meeting with the Head of Sustainability, to discuss the company's decarbonisation strategy/pathway. Given the material emissions of the sector and the associated risk that this poses to the company, they encouraged the company to invest in decarbonisation initiatives.</p> <p>Baillie Gifford followed up the meeting with a letter to management encouraging independent validation of non-linear decarbonisation pathway (FLAG SBTi initiative) when published.</p> <p>Since the meeting, Genus has partnered with a satellite monitoring company to track GHG emissions from their nucleus farms.</p>

*Threadneedle and Baillie Gifford provided engagement statistics over the 12-month period to 31 December 2022.