Implementation Statement

Pendragon Group Pension Scheme

Purpose of this statement

This implementation statement has been produced by the Trustee of the Pendragon Group Pension Scheme ("the Scheme") to set out the following information over the year to 31 December 2022:

- 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; and
- How the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.

Trustee policies on voting and engagement

The Trustee's Statement of Investment Principles (SIP) in force at 31 December 2022 describes the Trustee's policy on the exercise of rights (including voting rights) and engagement activities as follows:

> *"The Trustee delegates responsibility for stewardship activities attaching to the Scheme's investments to its investment managers. Managers are expected to exercise voting powers with the objective of preserving and enhancing long-term shareholder value. In addition to the exercise of voting rights, managers are expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks.*
>
> *The Trustee periodically reviews engagement activity undertaken by their investment managers to ensure that the policies outlined above are being met and may explore these issues with its investment managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers."*

The Trustee's SIP was last reviewed in September 2020 to comply with regulations that came into force on 1 October 2020. The SIP has been made available online here:

https://www.pendragonplc.com/investors/corporate-responsibility/

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 Trustees undertook an initial review of the stewardship and engagement activities of the current managers at their Development Day on 22 September 2020 meeting and were satisfied that their policies were reasonable and no remedial action was required at that time.
- Annually the Trustee receives a Sustainability monitoring report on the Scheme's investment managers (which includes data on voting and engagement) from their investment advisors. This was discussed at the Trustee meeting on 6 December 2022.
- Annually the Trustee receives and reviews voting and engagement data from the Scheme's investment managers which they review and report in their annual implementation statement.
- 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.

Prepared by the Trustees of the Pendragon Group Pension Scheme
March 2023

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beyond the expected

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Portfolio on behalf of the Trustee over the year to **31 December 2022**. Please note, voting data for the equity portfolio the Scheme previously held with BlackRock has not been included in the table below as the Scheme disinvested from these funds in January 2022.

Manager	BlackRock	Artemis	Lindsell Train	Partners Group	Hamilton Lane
Fund name	Dynamic Diversified Growth Fund	Global Select Fund	Global Equity Fund	The Partners Fund	Global Private Assets Fund
Structure	Pooled				
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.				
Number of company meetings the manager was eligible to vote at over the year	898	56	23	58	Data not provided
Number of resolutions the manager was eligible to vote on over the year	11,899	736	324	853	Data not provided
Percentage of resolutions the manager voted on	94%	100%	100%	100%	Data not provided
Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on	1%	1%	1%	2%	Data not provided
Percentage of resolutions voted *with* management, as a percentage of the total number of resolutions voted on	94%	91%	97%	94%	Data not provided

Percentage of resolutions voted *against* management, as a percentage of the total number of resolutions voted on	5%	8%	2%	4%	Data not provided
Proxy voting advisor employed	BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform BlackRock's voting decision.	Artemis has their own proxy voting policy. Artemis uses ISS to facilitate the implementation of this policy but their recommendations do not make up part of Artemis' decision making process.	Lindsell Train has appointed Glass Lewis to aid the administration of proxy voting and provide additional support in this area. The portfolio managers maintain final decision-making responsibility, which is based on their detailed knowledge of invested companies.	Partners Group uses Glass Lewis but has their own proxy voting policy.	Data not provided
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	<1%	2%	n/a	1%	Data not provided

There are no voting rights attached to the other assets held by the Scheme, which include the Liability Driven Investment ("LDI") funds, property and bonds, as these funds do not hold equities.

Data has not been provided by Hamilton Lane, as most of their investments are in limited partnerships that do not have annual shareholder meetings.

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.

Some managers 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. In the absence of agreed stewardship priorities / themes, 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. However, this was difficult with Lindsell Train, given that the vast majority of the significant votes they have provided are on executive compensation. Artemis did not consider there to be any significant votes over the reporting period according to their criteria, which requires a significant vote to be a vote against management whereby Artemis held at least 1% of the voteable shares. Hamilton Lane have not provided any significant votes, as most of their investments are in limited partnerships that do not hold annual shareholder meetings.

For the Partners Fund, Partners Group control the board of many of the companies in which they invest. The examples provided by Partners Group are therefore examples of ESG efforts from the portfolio company over which Partners Group have control, rather than examples of significant votes.

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

Lindsell Train Global Equity Fund

	Vote 1	Vote 2	Vote 3
Company name	Intuit	Disney	Mondelez
Date of vote	20 January 2022	09 March 2022	18 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.6%	4.7%	4.8%
Summary of the resolution	Advisory vote on Executive compensation		
How the manager voted	Against	Against	Abstained
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes	Yes	n/a
Rationale for the voting decision	Lindsell Train believes that Intuit's compensation structures	Lindsell Train believes that Disney's compensation structures can be improved to	Lindsell Train does not believe that the company's compensation policy is aligned

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	Vote 1	Vote 2	Vote 3
	can be improved to foster greater shareholder alignment.	foster greater shareholder alignment.	with the long-term best interests of the shareholders. Prior to 2020, Lindsell Train has voted against Mondelez compensation resolutions. Over the recent years, Mondelez management have made significant efforts to explain the rationale for their policies to Lindsell Train. They intend to support Mondelez management in the event that Mondelez amend their policy to align more closely with Lindsell Train's views.
Outcome of the vote	Approved/For	Approved/For	Approved/For
Implications of the outcome	Lindsell Train will continue to engage with Intuit on this matter.	Lindsell Train will continue to engage with Disney on this matter.	n/a
Criteria on which the vote is considered "significant"	Lindsell Train engaged with Intuit's compensation committee before the vote to signal their intentions to vote Against.	Lindsell Train engaged with Disney's compensation committee before the vote to signal their intentions to vote Against and to encourage them to review their compensation structures.	Lindsell Train engaged with Mondelez's compensation committee before the vote to signal their intention to Abstain.

Partners Group The Partners Fund

	Vote 1	Vote 2	Vote 3
Company name	Rovensa	Fermaca	PremiStar
Date of vote	n/a	n/a	n/a
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	n/a	n/a	n/a
Summary of the resolution	Publication of second Sustainability Report in April 2022 and health and safety improvements.	Reduction in methane emissions.	Introduction of ESG initiatives.
How the manager voted	Control of board	Control of board	Control of board
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	n/a	n/a	n/a

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	After two years of Partners Group ownership, Rovensa is making progress to become the leading bio-solutions company. Meanwhile, the company published its second Sustainability Report in April 2022, which summarised the achievements made worldwide in 2021.	Fermaca has made progress across a number of initiatives in 2022. Fermaca has reduced methane emissions in the entire system by 4.7% and maintained 90% survival of the 27,000 trees planted in 2020 as part of a reforestation effort.	Due to the early stage of the investment, ESG initiatives are yet to be introduced. ESG initiatives are expected to be set forth in the second quarter of 2023 after its first ESG key performance indicator survey.
Outcome of the vote	n/a	n/a	n/a
Implications of the outcome	Health and Safety remains a top priority for Rovensa, as illustrated by the roll out of its 'STAR Program' across all manufacturing plants globally to achieve a zero-harm culture adoption worldwide. In 2022, Rovensa has reduced its lost time injury frequency rate by around 40% compared to the prior-year period.	Fermaca has implemented an environmental and social management system, which will allow for full compliance with the Equator Principles and Performance Standards of IFC. Currently, Fermaca is at 65% adoption across its system, against a target of 50%.	Premistar has engaged a third party ESG consultant to identify material sustainability topics and craft a longer term ESG journey and strategy. Premistar is looking to hire an ESG manager and sales strategy employee, as the company aims to launch an energy efficiency sales strategy with customers.
Criteria on which the vote is considered "significant"	Size of holding in fund	Size of holding in fund	Size of holding in fund

BlackRock Dynamic Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	Meta Platforms, Inc.	The Home Depot, Inc.
Date of vote	25 May 2022	25 May 2022	19 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data not provided	Data not provided	Data not provided
Summary of the resolution	Elect Director	Publish third party human rights impact assessment	Report on efforts to eliminate deforestation in supply chain
How the manager voted	Against	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Data not provided	n/a	n/a

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	BlackRock believed the nominee has not demonstrated ability to effectively represent shareholders' best interests.	BlackRock believed it was in the best interests of shareholders to have access to greater disclosure on this issue.	BlackRock believed that the company did not meet its expectations for disclosure of natural capital policies and/or risk.
Outcome of the vote	Pass	Fail	Pass
Implications of the outcome	Data not provided	Data not provided	Data not provided
Criteria on which the vote is considered "significant"	Vote Bulletin	Vote Bulletin	Vote Bulletin

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. As with the voting data, no engagement data has been included for the Scheme's previously held BlackRock equity portfolio, as this was disinvested from in January 2022.

Manager	BlackRock	Artemis	Aviva*	Hamilton Lane**	Lindsell Train
Fund name	BIJF Dynamic Diversified Growth Fund	Global Select Strategy	Lime Property Fund	Global Private Assets Fund	Global Equity Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	n/a	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	n/a	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	652	113	Data not provided	n/a	19
Number of entities engaged on behalf of the holdings in this fund in the year	378	25	Data not provided	n/a	10
Number of engagements undertaken at a firm level in the year	Data not provided	1,490	3,328	n/a	33

Manager	M&G	Partners Group***	Schroders	TwentyFour
Fund name	Alpha Opportunities Fund	The Partners Fund	Sterling Liquidity Plus Fund	Strategic Income Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	n/a	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	n/a	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	15	Data not provided	126	250
Number of entities engaged on behalf of the holdings in this fund in the year	14	Data not provided	19	c.200
Number of engagements undertaken at a firm level in the year	Data not provided	Data not provided	2,072	469

*Aviva have not provided data on engagements as they directly own the assets in the Fund, and therefore traditional engagements do not apply.
**Hamilton Lane is not a General Partner and therefore typically take a minority position alongside a high-quality general partner. As a result, they are generally not engaging directly with the underlying portfolio company. However, they will occasionally engage with the general partner.
*** Partners do not provide data on engagements due to the fact that this focuses on listed investments, which are not the focus of the Partners Fund of which the majority of assets are private market investments

Examples of engagement activity undertaken over the year to 31 December 2022

Manager and Fund	Engagement themes and examples of engagements undertaken with holdings in the fund
Artemis Global Select Strategy	In 2022, the Global Select team engaged with Novo Nordisk (a Danish multinational pharmaceutical company), to which the Fund had an average exposure of 1.5% to. Engagement was across a number of issues including: 1. The reasoning for Artemis voting against a severance payment to a former executive, as they felt it was too high (it was 36 months base salary plus pension contribution, whereas they felt 24 months would be more reasonable). Novo Nordisk noted Artemis's comments and responded that they are proposing to amend the remuneration policy to remove the 36 months term and only have 24 months term. 2. Novo Nordisk's long term incentives programme was limited to being awarded based on certain performance outcomes during 2018 and could only be adjusted +/- 30% during the vesting period based on a subsequent 5% sales growth hurdle. Artemis felt that measures of long term

Manager and Fund	Engagement themes and examples of engagements undertaken with holdings in the fund
	performance should focus on sustained growth over a minimum 3 year period. As a result, a new remuneration policy means that from 2021 the long term incentives programme has a three-year performance period (2021-23) and a two-year holding period (2024-5). 3. The reasoning for Artemis abstaining from a voting regarding the re-election of a Director. Artemis was concerned that the Director held four directorships and this may impact his ability to carry out his Novo Nordisk Board responsibilities effectively. Novo Nordisk responded that he has attended all meetings since 2019 and the Danish Corporate Governance Code stipulates how much time is required to perform board duties so that the board of directors do not take on more managerial duties than they can complete.
Lindsell Train Global Equity Fund	Lindsell Train have provided examples of engagement at a firm level, rather than engagements specific to the Global Equity Fund. In 2022, Lindsell Train engaged across a number of themes including renumeration (governance), climate change (environmental) and human and labour rights (social). Specific to renumeration (which aligns with the UN Sustainable Development Goal 8, decent work and economic growth), Lindsell Train pays careful consideration to the compensation policies of the companies in which they invest and they write to management, as a first step, if they do not agree with their policy. In assessing their compensation policies, they focus more on how incentives are structured than the actual quantum of compensation. Where they do not believe that a company's compensation policy is aligned with the long term best interests of the shareholders they will write to management to inform them of their intention to vote against such policies and set minimum criteria for their companies. Over 2022, they have written to the management of nine companies, by way of escalating engagement. They also voted against 12 advisory votes on compensation and also abstained in 6 instances.
Partners Group The Partners Fund	In 2022, through control of the Board, Partners Group continued to engage with Eyecare Partners (ECP) on the company's ESG strategy. The strategy focuses on three areas: caring for employees, the patients and the community. Several initiatives were implemented to improve stakeholder benefits. For instance, significant investment in benefits were made in both 2021 and 2022. In addition, the company increased communication around its Eye Care Partners Care Foundation, a non-profit organization dedicated to giving back to ECP team members in need. Meanwhile, Incident Frequency Rate (IFR) measures were established and are being captured to drive root-cause analysis and drive prevention strategies. This has engaged employees and helped to increase employee retention to 31% (exceeding the target of 27%). Lastly, baselines and specific initiatives were established based on the doctor and employee engagement surveys conducted during the first half of 2022.
TwentyFour Strategic Income Fund	TwentyFour have provided examples of engagement at a firm level, rather than engagements specific to the Strategic Income Fund. TwentyFour engaged across various topics including, but not limited to, climate change (environment), public health (social) and leadership, Chair/CEO governance). TwentyFour's Carbon Emissions Engagement Policy that was launched in Q1 2021 aims to target their significant holdings which perform relatively poorly in carbon emissions versus their peers and engage with them on improving their carbon emissions and producing a demonstrable plan for such improvements. This is aligned to the 'Climate Action' SDG. They have continued to engage as part of this policy in 2022 (this engagement is aligned with the UN SDG Climate Action goal), examples being with Paragon and Virgin Money, as per the below: 1. Paragon - they reached out to understand Paragon (a sponsor of Residential Mortgage Backed Securities) plans to reach the UK Government's proposed regulation for buy-let-let properties to

Manager and Fund	Engagement themes and examples of engagements undertaken with holdings in the fund
	have a minimum EPC rating of C. They questioned how much of their £150 million green bond has been allocated to new green financing. Finally, their ESG scoring provider Asset4 by Refinitiv scores Paragon very poorly on innovation – while innovation is a more challenging area for the banking sector they questioned their progress on green mortgages and other environmental incentive products. The lender is unable to force landlords to upgrade their properties, but they are actively communicating with their buy-to-let customers on this issue and encouraging action. With the launch of its green mortgage product, which offers reduced rates to new applicants with a property rated C or above, Paragon is aiming to lower the concentration poorly rated properties in its mortgage portfolio. TwentyFour learned that some £142m of the £150m green bond proceeds have already been invested in eligible green loans – these are mainly in B rated EPC properties, with A rated EPCs still very rare in the UK. Paragon's progress on innovation was not fairly captured in TwentyFour's ESG score for the bank and they will now look to update this, reflecting its green mortgage offering and the extension of its motor finance policy to cover lending on battery electric vehicles. 2. Virgin Money – TwentyFour were pleased to learn that Virgin Money has included scope 1 & 2 emissions targets in their Report & Accounts but there was a few points they wanted more detail and progress on. Virgin Money noted they have disclosed some scope 3 emissions but this is still a work in progress. Full EPC breakdown has been provided for 69% of mortgages, they are currently exploring an external data provider to test the coverage of their book in order to calculate the scope 3 emissions within the mortgage portfolio. The proportion of sustainable leaders increased from 2.8% to 3.7% as of their 2021 financial year. TwentyFour felt that this was reasonable progress, but will continue to engage.
Schroders Sterling Liquidity Plus Fund	In 2022, Schroders continued their engagement with Barclays on its climate transition plan. Barclays was prioritised as part of Schroders's new climate engagement and escalation framework. This sets out how they intend to use their influence as investors to help drive the transition to a low carbon economy. Barclays was one of the 373 companies previously contacted in 2021 for further engagement in 2022. They engaged with the bank on a number of occasions over the period via various forms, including emails, a call with management and a meeting with Barclays Sustainability Experts. Schroders noted a number of issues, including: 1. The carve out of US clients with a later exit timeline versus clients in the UK/EU (2035 versus 2030). 2. Inconsistent and narrow CO2e definitions, relative to peers. 3. Schroders are keen to see that Barclays' thermal coal policies are workable and genuinely able to push absolute financed emissions down with due diligence to ensure funds are not diverted thermal coal. It was clear from their engagement that emissions data is a large issue for the bank, both in terms of the loan book and direct emissions, as is building green mortgage backed bonds on the back of housing stock where building standards for existing and new housing are inefficient. Schroders agreed to continue the dialogue with Barclays into the next year.

Manager and Fund	Engagement themes and examples of engagements undertaken with holdings in the fund
Aviva Lime Property Fund	Due to the nature of the Fund, Aviva's engagement is focused on occupiers and is targeted at providing support for decarbonising assets, in line with the occupier's own business priorities and ambitions. Aviva engaged with a range of occupiers of the Fund over 2022, with a focus on climate change. As part of this engagement, they carried out a number of actions including, but not limited to: 1. Net zero due diligence audit across 16 occupiers of the tenant's demise and proposed recommendations for improvements. 2. Initial occupier engagement programme meetings around renewable electricity, electric vehicles and emissions, across three occupiers. 3. A feasibility study for rooftop installation of solar panels at three Premier Inn assets. Whilst discussions are ongoing across a number of engagements and Aviva are waiting on tenant feedback on many of these. Nevertheless, some progresses have been made. Notably: 1. Aviva is discussing the installation of electric vehicle charges with Anchor Hanover. 2. A regear is being negotiated with solar array and ground source heat pump for Leeds Beckett University. 3. A regear is being negotiated with solar array for Capita. 4. Next is seeking expansion of solar array. They are awaiting status of electricity grid upgrades.
BlackRock	BlackRock's main engagement topics include: • **Board Quality & Effectiveness** - Quality leadership is essential to performance. Board composition, effectiveness, diversity and accountability remain top priorities • **Climate & Natural Capital Strategy** - Climate action plans with targets advance the transition to a low carbon economy. Managing natural capital dependencies and impacts through sustainable business practices • **Strategy Purpose & Financial Resilience** - A purpose driven long-term strategy, underpinned by sound capital management, supports financial resilience • **Incentives Aligned with Value Creation** - Appropriate incentives reward executives for delivering sustainable long-term value creation • **Company Impacts on People** - Sustainable business practices create enduring value for all key stakeholders An example is BlackRock's engagement with Shell Plc, a major integrated oil and gas company that operates through Integrated Gas, Upstream, Downstream and Corporate segments. The company was formerly based in the Netherlands and has recently moved their headquarters to the United Kingdom. BlackRock has engaged regularly with Shell over the last several years to discuss a range of corporate governance and sustainable business matters that they believe contribute to a company's ability to deliver durable and long-term shareholder returns. This has included conversations about climate risk and opportunities, which BlackRock believes can be a defining factor in companies' long-term prospects.