

Dresser-Rand Pension Plan

**Annual Implementation  
Statement – Plan year  
ending 5 April 2024**

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## Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Dresser-Rand Pension Plan (“the Plan”) covering the Plan year (“the year”) from 6 April 2023 to 5 April 2024.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustees, the Trustees’ policies on engagement and voting (as set out in the Statement of Investment Principles (the “SIP”)) have been adhered to during the year; and
- A description of voting behaviour (including the most significant votes made on behalf of the Trustees) and any use of a proxy voter during the year.

The SIP is a document which outlines the Trustees’ policies with respect to various aspects related to investing and managing the Plan’s assets including but not limited to: investment managers, portfolio construction and risks.

The latest version of the SIP can be found online here:

[https://www.isio.com/app/uploads/2024/03/DRPP-SIP\\_Mar2024.pdf](https://www.isio.com/app/uploads/2024/03/DRPP-SIP_Mar2024.pdf)

This statement reflects the Plan year 6 April 2023 to 5 April 2024. The SIP linked above reflects the latest version of the SIP which is dated 18 March 2024.

## Section 2: How the Trustees have adhered to their engagement and voting policies

The Trustees' policies on voting and engagement, as stated in the SIP are below, and the Trustees recognise that an investee company's long-term financial success is influenced by a range of factors including appropriate management of environmental, social, ethical and corporate governance issue; therefore, it is in member's best interests that the voting and engagement activities conducted in relation to these investee companies is monitored and managed:

- The Trustees' policy is to delegate responsibility for the exercise of the rights (including voting rights) attaching to investments to the investment managers. These matters are kept under review and the Trustees are aware of the policy towards corporate governance adopted by their investment managers.
- Aside from the annuity insurance policy, the Trustees' current investment manager is LGIM, who have articulated to the Trustees their approach to ESG and sustainable investing in the funds in which the Plan currently invests. The Trustees' policy is that the extent to which environmental, social and corporate governance considerations issues (including but not limited to climate change) may have a financial impact on the portfolio will be taken into account by their investment manager(s) in the exercise of their delegated duties, including stewardship activities
- The Trustees are comfortable with the approach being taken by LGIM on delegated matters such as voting rights and engagement with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings, and take comfort from LGIM's position in the UK institutional investment market.
- The Trustees expect their manager(s) to sign up to their local stewardship code, in-keeping with good practice. The Trustees will monitor the activities of all of their managers on a regular basis but appreciate that its applicability may be limited for certain asset classes. These matters are kept under review by the Trustees, in consultation with their investment consultant and investment managers.
- Should the Trustees' monitoring process reveal that a manager's portfolio is not aligned with the Trustees' policies, the Trustees will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustees that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.
- For most of the Plan's investments, the Trustees expect the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustees invest in certain strategies (e.g. the insurance policy) where such engagement may not be deemed appropriate, due to the nature of the strategy or asset. The appropriateness of the Plan's allocation to such mandates is determined in the context of the Plan's overall objectives.

\* ESG stands for Environmental, Social and Governance and refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

The Trustee's view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustees believe that the incorporation of ESG factors is in the best long-term financial interests of its members. LGIM shares this view and has fully embedded the consideration of ESG factors in its processes.

As the investment managers of pooled funds, in which the Plan is invested, are generally responsible for exercising voting rights and as the Trustees otherwise delegate responsibility for the exercising of voting rights to the Plan's investment managers, it is the responsibility of the Trustees to monitor, review and engage with investment managers with respect to how they have undertaken these activities.

The same policy applies to corporate engagement with the management of companies the Plan is invested in. Given the investment in pooled funds, the Trustees have delegated corporate engagement to the Plan's investment managers. The Trustees monitor, review and engage with the managers on how they have undertaken these activities.

As outlined in the SIP, the Trustees recognise the UK Stewardship Code 2020 and monitor the Plan's investment managers' adherence to the Code. LGIM are signatories to the code. Their latest statement of compliance can be found via the link below:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/uk-stewardship-code.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/uk-stewardship-code.pdf)

As set out in section 4, the Trustees believe that the Plan's engagement policy as outlined in the SIP has been adhered to over the Plan year and will continue to monitor the investment managers' stewardship practices on an ongoing basis.

## Section 3: Voting information

The Plan is invested in a range of asset classes. However, this document focusses on the equity investments which have voting rights attached.

The Plan's equity holdings as at the end of the year are held in pooled investment funds. Therefore, the voting entitlements in these funds lie with the investment managers.

As set out in the SIP, the Trustees' policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Plan's investment managers. This section sets out the voting activities of the Plan's equity investment managers over the year, including details of the investment managers' use of proxy voting.

The Plan's equity holdings are all invested with one investment manager, Legal & General Investment Management ("LGIM"), within the LGIM Diversified Fund. At the start of the year, prior to the investment transition being completed, the Plan was invested in a number of pooled equity funds with LGIM, however given the Plan was invested in these funds for a small part of the year and is no longer invested in these funds, the voting information disclosed below is focussed on the Diversified Fund.

The fund manager has their own voting policy that determines their approach to voting and the principles they follow when voting on investors' behalves. The investment manager also uses a voting proxy advisor which aids in their decision-making when voting. Details are provided in the appendix.

The below table sets out the voting activity of the Plan’s investment manager, on behalf of the Trustees, over the year.

<b>Manager and strategy</b>	<b>Portfolio structure</b>	<b>Voting activity</b>
<b>Legal and General Investment Management</b> – Diversified Fund	Pooled multi-asset fund	Number of meeting at which the manager was eligible to vote: 8,997 Number of resolutions on which manager was eligible to vote: 93,090 Percentage of eligible votes cast: 99.79% Percentage of votes with management: 76.58% Percentage of votes against management: 23.13% Percentage of votes abstained from: 0.29% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 73.61% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 14.47%

\*Voting statistics are out of total eligible votes and are sourced from the investment manager, LGIM.

LGIM reported on the most significant votes cast within the funds managed on behalf of the Plan over the year to 31 March 2024, including their rationale for the voting decision and the implication of the outcome of the vote.

The following table outlines a selection of significant votes cast by the Plan's investment manager on the Trustees' behalf. The commentary set out below is based on detail in the manager's reports on the votes cast. The table includes the investment manager's commentary on their rationale and their views of the implications of their votes. The Trustees consider climate change to be an important risk in terms of stewardship, and accordingly have selected as 'most important' votes in this area.

Significant votes cast	Coverage in portfolio
<p><b><u>Company: Shell Plc</u></b></p> <p><b><u>Meeting date: 23 May 2023</u></b></p> <p><b>Shareholder resolution:</b> Resolution 25 - Approve the Shell Energy Transition Progress</p> <p><b>How the manager voted:</b> Against (against management recommendation). LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.</p> <p><b>Rationale:</b> Climate change: A vote against is applied, though not without reservations. We 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, we 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:</b> Pass - 80% of shareholders supported the resolution.</p> <p><b>Implications:</b> LGIM continues to undertake extensive engagement with Shell on its climate transition plans</p> <p><b>Size of the holding at time of vote:</b> 0.30% of the LGIM Diversified Fund.</p>	<p>LGIM Diversified Fund</p>
<p><b><u>Company: Tencent Holdings Limited</u></b></p> <p><b><u>Meeting date: 17 May 2023</u></b></p> <p><b>Shareholder resolution:</b> Resolution 3a - Elect Jacobus Petrus (Koos) Bekker as Director</p> <p><b>How the manager voted:</b> Against (against management recommendation). LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.</p> <p><b>Rationale:</b> Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors. <b>Outcome:</b> Pass - 88.4% of shareholders supported the resolution.</p> <p><b>Implications:</b> LGIM will continue to engage with the company and monitor progress.</p> <p><b>Size of the holding at time of vote:</b> 0.25% of the LGIM Diversified Fund.</p>	<p>LGIM Diversified Fund</p>



## Section 4: Conclusion

The Trustees believe that the Plan's engagement policy as outlined in the SIP has been adhered to over the Plan year.

Following monitoring of the Plan's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustees are satisfied that LGIM are acting in the Plan members' best interests and are effective stewards of the Plan's assets.

The Trustees will continue to monitor the remaining investment managers' stewardship practices on an ongoing basis.

## Appendix: LGIM's voting policy

### **LGIM's voting policy is provided below**

#### **“Policy on consulting clients:**

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

#### **Process for deciding how to vote:**

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

#### **Use of proxy voting services:**

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.”