

# THE DERWEN TRAINING COLLEGE PENSION SCHEME

## Engagement Policy Implementation Statement

Financial Year Ending 31<sup>st</sup> December 2023

### 1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 December 2023 (the "**Scheme Year**"). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Scheme Year, which was the SIPs dated June 2023. An online version of the SIP can be found: <https://www.derwen.ac.uk/wp-content/uploads/2023/12/Derwen-Training-College-SIP-June-2023-approved.pdf>

### 2. Statement of Investment Principles

#### 2.1 Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustees' primary investment objective is:

- to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustees also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

The objectives set out above provide a framework for the Trustees when making investment decisions.

#### 2.2 Review of the SIP

During the year, the Trustees reviewed the Scheme's SIP in June 2023.

In June 2023, the SIP was updated to reflect the Scheme's revised investment strategy, following a de-risking exercise. In particular, the changes reflected the decreased benchmark allocation to growth assets (reduced to 30%) and an increased allocation to matching assets (70%). The Scheme's interest rates and inflation target hedge ratios were also set to 91% on a solvency basis.

#### 2.3 Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance ("ESG") factors.

The Scheme's SIP includes the Trustees' policy on ESG factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially

## **2.4 Scheme's Investment Structure**

The Scheme's only investment is a Trustee Investment Policy ('TIP') with Mobius Life Limited ('Mobius'). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. As such, the Trustees have no direct relationship with the Scheme's underlying investment managers.

## **3. Trustee Engagement**

Mercer's investment performance report is reviewed by the Trustees on a quarterly basis. This includes Mercer's research ratings (both overall and specific ESG rating on the relevant strategy) and enables the Trustees to determine whether further action should be taken in respect of specific funds. The Trustees are satisfied that Mercer's ESG scores for the Scheme's managers are satisfactory.

All managers that the Scheme invests in confirmed that they are signatories of the current UK Stewardship Code.

### **Assessment of how the Engagement Policies in the SIP have been followed for the year to 31 December 2023**

The Trustees are satisfied that the Engagement Policies set out in the SIPs which have been in place over the year have been followed.

## **4. Voting Activity**

The Scheme has no direct relationship with the pooled funds it is invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated their voting rights to the managers of the funds the Scheme's investments are ultimately invested in. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

Investment managers are expected to provide voting summary reporting when requested by the Trustees. The Trustees have not been asked to vote on any specific matters over the last year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds which include equity holdings) in which the Scheme's assets are ultimately invested.

DWP released a set of Engagement Policy Implementation Statement requirements on 17 June 2022, "Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance" to be adopted in all Engagement Policy Implementation Statements for schemes with years on or after 1 October 2022. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

- A significant vote is defined as one that is linked to the Scheme's stewardship priorities/themes;
- A vote could also be significant for other reasons, e.g. due to the size of holding;

- Trustees are to include details on why a vote is considered significant and rationale for voting decision.

The Trustee has identified three key themes based on a priority scale, namely: **Appropriate Remuneration, Climate Change, Governance** and **Diversity**. The significant votes covered in this statement have been reported on as they relate to the above stewardship priorities of the Trustee.

Over the Scheme year, due to the nature of the investments, only Threadneedle and Nordea have voted on the behalf of the Scheme. Below we have set out the voting activity:

### Threadneedle Multi-Asset Fund

Columbia Threadneedle Investments utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services. They have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities.

- Number of votable meetings – 506
- Number of eligible resolutions Threadneedle have voted on – 7,226 (98.77% of total resolutions)
- Number of resolutions Threadneedle voted with management – 6,263 (86.67% of voted resolutions)
- Number of resolutions Threadneedle voted against management – 841 (11.63% of voted resolutions)

Company / Date of vote	Summary of Resolution	Criteria for assessing significant vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Next Steps
Shell Plc 23 May 2023	Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	Climate Change	Vote abstained	We appreciate the progress made by the company and engagement to date, but feel ABSTAINING is the best option to recognise this progress whilst retaining our position that they would prefer to see greater movement towards full Paris alignment in the coming years.	Failed	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.
Shell Plc 23 May 2023	Approve the Shell Energy Transition Progress	Climate Change	Vote abstained	Whilst we appreciate the progress made by the company and engagement to date, we feel ABSTAINING is the best option to recognise this progress whilst retaining our position that we would prefer to see greater movement towards full Paris alignment in the coming years.	Failed	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.
Amazon.com, Inc. 24 May 2023	Report on Impact of Climate Change Strategy Consistent	Climate Change	Voted For	Shareholders would benefit from more disclosure on whether and how the company considers human capital management and	Failed	Active stewardship (engagement and voting) continues to form an

Company / Date of vote	Summary of Resolution	Criteria for assessing significant vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Next Steps
	With Just Transition Guidelines			community relations issues related to the transition to a low-carbon economy as part of its climate strategy.		integral part of our research and investment process.
* Quest Diagnostics Incorporated 17 May 2023	Adopt GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	Climate Change	Voted For	We are supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy. To meet the ambition of the Paris Agreement and avoid massive risk to shareholder value, corporations should demonstrate the nexus between their climate aspirations and business strategy via disclosure of credible Paris- or 1.5 degree-aligned emissions reduction targets. Current disclosure does not sufficiently provide investors such information.	Failed	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.
Total Energies SE 26 May 2023	Align Targets for Indirect Scope 3 Emissions with the Paris Climate Agreement (Advisory)	Climate Change	Voted For	We are supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy. To meet the ambition of the Paris Agreement and avoid massive risk to shareholder value, corporations should demonstrate the nexus between their climate aspirations and business strategy via disclosure of credible Paris- or 1.5 degree-aligned emissions reduction targets. Current disclosure does not sufficiently provide investors such information.	Failed	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.
* United Parcel Service, Inc. 4 May 2023	Adopt Independently Verified Science-Based Greenhouse Gas Emissions Reduction Targets in Line with the Paris Climate Agreement	Climate Change	Voted For	We are supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy. To meet the ambition of the Paris Agreement and avoid massive risk to shareholder value, corporations should demonstrate the nexus between their climate aspirations and business strategy via disclosure of credible Paris- or 1.5	Failed	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.

Company / Date of vote	Summary of Resolution	Criteria for assessing significant vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Next Steps
				degree-aligned emissions reduction targets. Current disclosure does not sufficiently provide investors such information.		
The Walt Disney Company 3 April 2023	Report on Political Expenditures	Appropriate Remuneration	Vote abstained	While we generally agree with the sentiment of this proposal, it appears the company provides reasonable disclosure of its political donations and we are encouraged by the recent efforts to increase transparency on this issue.	Failed	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.
Alphabet Inc. 2 June 2023	Report on Risks of Doing Business in Countries with Significant Human Rights Concerns	Governance and Diversity	Vote abstained	The company faces risks related to human rights in its global operations. Good practice includes developing a clear human rights policy or code of practice, along with a narrative on how impacts are monitored and effectively mitigated.	Failed	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.
NIKE, Inc. 12 Sep 2023	Report on Median Gender/Racial Pay Gap	Governance and Diversity	Voted For	The proposed enhanced disclosure would help the board and shareholders better assess existing and potential future risks related to human capital management.	Failed	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.
Amazon.com, Inc. 24 May 2023	Report on Median and Adjusted Gender/Racial Pay Gaps	Governance and Diversity	Voted For	The proposed enhanced disclosure would help the board and shareholders better assess existing and potential future risks related to human capital management.	Failed	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.

\*as at 31 December 2023, position has been exited  
Columbia Threadneedle did not communicate their intent to the company ahead of the vote

## Nordea Diversified Return Fund

Nordea's proxy voting is supported by two external vendors (Institutional Shareholder Services and Nordic Investor Services – henceforth, “ISS” and “NIS”) to facilitate proxy voting, execution and to provide analytic input. In 2021 these two vendors have merged.

Number of votable meetings – 200

- Number of eligible resolutions Nordea have voted on – 2,441 (98.2% of total resolutions)
- Number of resolutions Nordea voted with management – 2,028 (83.1% of voted resolutions)
- Number of resolutions Nordea voted against management – 288 (11.8% of voted resolutions)

Company / Date of vote	Summary of Resolution	Criteria for assessing significant vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Next Steps
Comcast Corporation 7 June 2023	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal (shareholder proposal)	Climate Change	Voted For	We believe that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change-related risks.	Failed	We will continue to support shareholder proposals on this issue as long as it is needed.
Alphabet 2 June 2023	Report on Lobbying Payments and Policy, Report on Framework to Assess Company Lobbying Alignment with Climate Goals etc.	Climate Change	Voted Against	At the Alphabet AGM we supported a number of shareholder proposals, besides Report on managing risks related to data collection, privacy and security, such as Report on physical risks of climate change, Report on climate lobbying and Report on steps to improve racial and gender Board diversity. Management voting recommendations was against on all these proposals. The dominant position of Google, its impact on society and integrity of individuals is very important for us as investors.	Failed	We will continue to support shareholder proposals on these issues as long as the company is not showing substantial improvements.
Texas Roadhouse Inc 11 May 2023	Advisory Vote to Ratify Named Executive Officers' Compensation	Appropriate Remuneration	Voted Against	50% of the Long-Term Incentive Plan for management is time-based.	Passed	We will continue to support shareholder proposals on this issue as long as it is needed.
Sonova Holdings AG 12 June 2023	Allow Shareholder Meetings to be Held in Virtual-Only Forma	Diversity and Governance	Voted Against	The company has not provided any rationale for this proposal other than that the Swiss law allows such possibility and does not elaborate on the circumstances under which virtual-only meetings would be held, as it is left on the board's discretion. Therefore, this proposal is likely to decrease meaningful exchange between the company and its shareholders.	Passed	We will continue to support shareholder proposals on this issue as long as it is needed.
eBay inc 21 June 2023	Reduce Ownership Threshold for Shareholders to Call Special Meeting to 10% (shareholder proposal)	Diversity and Governance	Voted For	We support the proposed 10 percent ownership threshold for shareholders to call a special meeting would enhance shareholders' ability to make use of the right, and the likelihood of abuse of the right is small.	Failed	We will continue to support shareholder proposals on this issue as long as it is needed
The TJX Companies 6 June 2023	Report on assessing due diligence on human rights in supply chain (shareholder proposal)	Diversity and Governance	Voted For	Additional information regarding the processes the company uses to assess human rights impacts in its operations and supply chain would allow shareholders to better gauge how well TJX is managing	Failed	We will continue to support shareholder proposals on this issue as long as it is needed.

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human rights related risks.

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Meta platforms 31 May 2023	Elect Director Mark Zuckerberg	Diversity and Governance	Voted Against	We voted against the election of Mark Zuckerberg since significant risks to shareholders stemming from severe ESG controversies have been identified at the company, which reflects a failure by the board to proficiently guard against and manage material environmental, social and governance risks. We also think that roles of CEO and Chair should be separated. We supported several shareholder proposals at the AGM.	Passed	We will continue to vote against combined CEO/Chair and especially in cases like this where severe problems are identified.
Microsoft Corporation 7 December 2023	Report on tax transparency (shareholder proposal)	Diversity and Governance	Voted For	We voted for the shareholder proposal as the proposed GRI Tax Standard would enhance the company's transparency in communicating its tax practices to investors globally.	Failed	We will continue to support shareholder proposals on this issue as long as it is needed
Microsoft Corporation 7 December 2023	Report on Risks of Operating in Countries with Significant Human Rights Concerns	Diversity and Governance	Voted For	We voted for the shareholder proposal since increased disclosure regarding how the company is managing human rights-related risks in high-risk countries helps investors in their assessment of the company.	Failed	We will continue to support shareholder proposals on this issue as long as it is needed

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