

THE DERWEN TRAINING COLLEGE PENSION SCHEME

Engagement Policy Implementation Statement

Financial Year Ending 31st December 2020

Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Statement of Investment Principles (‘SIP’) have been followed during the year to 31 December 2020. 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.

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.

Policy on ESG, Stewardship and Climate Change

The Scheme’s SIP includes the Trustees’ policies on ESG factors, stewardship and climate change. The policies were last updated in September 2020, to reflect new legislative wording requiring the Trustees to state their policies regarding ‘financially material’ and ‘non-financial’ considerations

In order to establish these policies, the Trustees discussed ESG and the latest regulatory requirements governing the inclusion of ESG policies at the Trustees’ meeting in July 2020. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

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.

Trustee Engagement

Mercer's investment performance report is reviewed by the Trustees on a quarterly basis. This includes Mercer's ratings (both general and specific ESG) 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.

Assessment of how the Engagement Policies in the SIP have been followed for the year to 31 December 2020

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

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 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.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's statement.

The table below sets out a summary of the key voting activity over the financial year:

Manager / Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
Threadneedle Multi Asset	ISS Glass Lewis & Co	6,789 Resolutions eligible to vote on (c.98.5% cast)	c.5.88% of votes cast	c.3.62% of eligible votes	Threadneedle considers a significant vote to be any dissenting vote i.e. where a vote is cast against (or where they abstain/withhold from voting) a management-tabled proposal, or where they support a shareholder-tabled proposal not endorsed by management. They report annually on our reasons for applying dissenting votes via our website. Their report on dissenting votes cast across 2019 is available at: https://www.columbiathreadneedle.co.uk/media/13667758/en_voting_rationales_2019_final.pdf	<p>Amazon.com, Inc – a vote to elect Director Thomas O. Ryder was passed, where Threadneedle voted against, as the Director is an affiliate serving on a key committee.</p> <p>Alphabet Inc – a vote to elect Director L. John Doerr was passed, where Threadneedle withheld from voting due to him being the compensation committee chair, which lead to concerns around compensation.</p> <p>Facebook, Inc – a vote to report on median gender/race pay gap failed, where Threadneedle voted for, as the material social risk for the business is in the shareholders favour.</p>

Nordea Diversified Return	ISS	3,466	c.9.63% of	c.0.43% of	<p>Nordea Funds have an aggregated voting strategy, meaning that we strive to vote for as large part of our total holdings in any given company as possible. When deciding which companies to vote in, Nordea Funds use a methodology based primarily on the value of the holding and the ownership level in the specific company. Other factors include the presence of any specific ESG reason, the company's need for support or if we have an ongoing engagement. In companies in which Nordea Funds have a very limited opportunity to enact changes, or if unable to efficiently utilize shareholder rights, Nordea Funds might choose not to vote or engage.</p>	<p>Fedex – a vote to report on lobbying payments and policy was passed, where Nordea voted against, as FedEx spends large sums directly and through memberships in different organizations on lobbying with very limited transparency for shareholders.</p> <p>Starbucks – a vote to elect Jorgen Vig Knudstorp was passed, where Nordea voted against, since Starbuck's new sustainability goals do not include any human rights related issues and Mr Knudstorp is the Chair for the Nominating and Corporate Governance Committee.</p>
	NIS	Resolutions eligible to vote on (c.39.8% cast)	votes cast	eligible votes		

Notes: ISS = Institutional Shareholder Services Inc. NIS = Nordic Investor Services.