

# THE DERWEN TRAINING COLLEGE PENSION SCHEME

## Engagement Policy Implementation Statement

Financial Year Ending 31<sup>st</sup> December 2022

### 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 2022 (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 2021 (covering the period between June 2021 and December 2022). An online version of the SIP can be found: [Statement of Investment Principles - September 2021 \(derwen.ac.uk\)](https://www.derwen.ac.uk/statement-of-investment-principles-september-2021)

### 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 Scheme year, no changes were made to the SIP, however post Scheme year-end the SIP was updated to reflect changes in the investment strategy that were implemented in June 2023

#### 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 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.

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 2022**

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 the key themes, based on a priority scale, are: **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.




#### **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.

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.

- Number of votable meetings – 489



- Number of eligible resolutions Threadneedle have voted on – 6,032 (97.9% of total resolutions)
- Number of resolutions Threadneedle voted with management – 5,443 (90.2% of voted resolutions)
- Number of resolutions Threadneedle voted against management – 466 (7.7 % of voted resolutions)

Company	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Alphabet Inc.	1 Jun 2022	Voter For - Report on Climate Lobbying	The company and its shareholders are likely to benefit from a review of how the company's and its trade associations' lobbying positions align with Paris Agreement, in light of risks to the company caused by climate change and the company's public position.	
Amazon.com, Inc.	25 May 2022	Voted For - Commission Third Party Report Assessing Company's Human Rights Due Diligence Process	Shareholders would benefit from increased transparency and disclosure on how the company is managing human rights-related risks.	
Shopify Inc.	7 Jun 2022	Voted Against – Executive Compensation Approach	It was Columbia Thread needles view that there were concerns regarding the Executive Compensation Approach	

### 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. As part of this, Nordea has defined "significant votes" as those that are severely against their principles, and where Nordea feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmark the proposals versus our policy.

- Number of votable meetings – 193
- Number of eligible resolutions Nordea have voted on – 2,335 (98.8% of total resolutions)
- Number of resolutions Nordea voted with management – 1,972 (84.5% of voted resolutions)
- Number of resolutions Nordea voted against management – 209 (9.0% of voted resolutions)

Company	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Monster Beverage	14 Jun 2022	Voted For - Report on GHG emission reduction targets aligned with the Paris Agreement goal	Nordea thinks 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.	
Meta platforms	22 May 2022	Voted Against - Elect Director Mark Zuckerberg	Nordea 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. Nordea also think that roles of CEO and Chair should be separated. Nordea supported several shareholder proposals at the AGM.	
Starbuck Corporation	16 Mar 2022	Voted For – Report on prevention of harassment and discrimination in the workplace	Nordea voted for this report as they believe that additional information on the company's sexual harassment and discrimination policies and the implementation of these policies would help shareholders better assess how the company is addressing associated risks.	