

THE DERWEN TRAINING COLLEGE PENSION SCHEME

Engagement Policy Implementation Statement

Financial Year Ending 31st December 2024

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 2024 (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 SIP 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

The Trustees last reviewed the 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 2024.

The Trustees are satisfied that the Engagement Policies set out in the SIP 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 a summary of 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 – 437
- Number of eligible resolutions Threadneedle have voted on – 5,739 (99.10% of total resolutions)
- Number of resolutions Threadneedle voted with management – 5,220 (90.95% of voted resolutions)
- Number of resolutions Threadneedle voted against management – 448 (7.81% 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
Alphabet Inc. 7 June 2024	Report on Lobbying Payments and Policy	Governance and Diversity	Voted For	“While we appreciate that the company provides some disclosure around board and management oversight of lobbying activities and information on its policy priorities, we note that the company does not disclose direct lobbying expenses on its website or in a user-friendly format, does not disclose indirect lobbying expenses or expenditures made to organizations that may lobby on its behalf, does not disclose a congruency report for its lobbying, and does not address grassroots lobbying in its policies. It also does not describe specific board and management oversight for its trade association memberships”.	Not provided	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.
Amazon.com, Inc. 22 May 2024	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.

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
The Goldman Sachs Group. Inc. 24 April 2024	Report on Pay Equity	Appropriate Remuneration / 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.
Apple Inc. 28 February 2024	Report on Median Gender/Racial Pay Gap	Appropriate Remuneration / 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.
Meta Platforms, Inc. 29 May 2024	Report on Human Rights Impact Assessment of Targeted Advertising	Governance and Diversity	Voted For	Shareholders would benefit from further information on how the company plans to mitigate human rights risks related to its targeted advertising practices given the company faces several investigations regarding its practices and with rising regulatory risks particularly in the EU.	Not provided	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.
Vertex Pharmaceuticals Inc. 15 May 2024	Report on Median and Adjusted Gender/Racial Pay Gaps	Governance and Diversity	Voted For	Shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives.	Failed	Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.

*as at 31 December 2024, 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 – 193

- Number of eligible resolutions Nordea have voted on – 2,308 (95.5% of total resolutions)
- Number of resolutions Nordea voted with management – 2,008 (87.0% of voted resolutions)
- Number of resolutions Nordea voted against management – 275 (11.9% 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
Mastercard Inc. 18 June 2024	Report on Gender-Based Compensation and Benefit Inequities	Diversity and Governance	Voted For	We voted for the shareholder proposal as we believe additional disclosure of the company's direct and indirect lobbying related expenditures would help shareholders better assess the risks and benefits associated with the company's participation in the public policy process.	Failed	We will continue to support shareholder proposals on this issue as long as it is needed.
Fortinet Inc. 14 June 2024	Elect Director Ken Xie	Governance and Diversity	Voted Against	We voted against the director as he serves as both the company's CEO and Chair of the Board.	Passed	We will continue to support shareholder proposals on this issue as long as it is needed.
eBay Inc. 20 June 2024	Advisory Vote to Ratify Named Executive Officers' Compensation (shareholder proposal)	Appropriate Remuneration	Voted Against	A voted against the remuneration report is warranted, since part of the LTI awards is not attached to any performance criteria.	Failed	We will continue to support shareholder proposals on this issue as long as it is needed.
NextEra Energy Inc 23 May 2024	Report on Climate Lobbying	Climate Change	Voted For	Additional disclosure around the company's framework for identifying alignments and its approach to addressing misalignments would allow shareholders to better evaluate the company's lobbying efforts and align it with best practices that have been undertaken by some of its peers and is unlikely to be unduly burdensome for the company.	Failed	We will continue to support shareholder proposals on this issue as long as it is needed.
Comcast Corporation 10 June 2024	Report on Congruency of Political Spending with Company Stated Values	Appropriate Remuneration	Voted For	We voted for the shareholder resolution as s a report on the company's congruence of political expenditures with stated values would enable shareholders to have a more comprehensive understanding of how the company oversees and manages risks related to its political partnerships.	Failed	We will continue to support shareholder proposals on this issue as long as it is needed.

Alphabet Inc. 7 June 2024	Publish Human Rights Risk Assessment on the AI-Driven Targeted Ad Policies	Governance and Diversity	Voted For	We voted for several shareholder resolutions at the Alphabet AGM. This specific as an independent human rights assessment on the impacts would help shareholders better evaluate the company's management of risks related to the human rights impacts of its targeted advertising policies and practices.	Failed	We will continue to support shareholder proposals on these issues as long as the company is not showing substantial improvements.
Meta platforms 29 May 2024	Elect Director Mark Zuckerberg	Governance and Diversity	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.
Ross Stores Inc 22 May 2024	Disclose All Material Value Chain GHG Emissions	Climate Change	Voted For	50% of the Long-Term Incentive Plan for management is time-based.	Passed	Disclosure of all material value chain GHG emissions would allow shareholders to better evaluate the company's progress toward its net zero ambition and help it prepare for potential regulatory requirements.
Microsoft Corporation 10 December 2024	Report on Risks Related to AI Generated Misinformation and Disinformation	Governance and Diversity	Voted For	We support the proposal based on factors related to a material controversy or thematic issue that have not been adequately addressed.	Failed (but 18.7% votes For)	We will continue to support shareholder proposals on this issue as long as it is needed
Microsoft Corporation 10 December 2024	Report on Risks of Operating in Countries with Significant Human Rights Concerns	Governance and Diversity	Voted For	We support the proposal as it improves transparency on material ESG issues such as human rights risk.	Failed (but 32% votes For)	We will continue to support shareholder proposals on this issue as long as it is needed