

Thomson-Leng Provident Fund ('the Fund')

Annual Implementation Statement for the Year Ended 31 March 2022

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year running from 1 April 2021 to 31 March 2022 (the "Fund Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

The Statement covers both the defined benefit section ("the DB Section") and the defined contribution section ("the DC Section") of the Fund and should be read in conjunction with the Fund's SIP for each Section.

Sections 2.1 and 2.2 of this statement sets out the investment objectives of the Fund and changes which have been made to the SIPs during the Fund Year, respectively.

Section 2.3 of this statement sets out how, and the extent to which, the policies in the SIP for each section have been followed. **The Trustee can confirm that all policies in the SIP have been followed in the Fund Year.**



The latest SIPs are publically available and can be accessed on this link: <https://www.dcthomson.co.uk/pension-fund-statement-of-investment-principles/>

Sections 3 and 4 include information on the engagement and key voting activities of the underlying investment managers within each Section of the Fund.



2. Statement of Investment Principles

2.1. Investment Objectives of the Fund

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set.



The Trustee's objective for the DB Section of the Fund is to meet their obligations to the beneficiaries.



The Trustee recognises that members have differing investment needs and that these may change during the course of a member's working life. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances.

In order to encompass these factors the Trustee has agreed the following objectives:

- To make available a range of investment funds that should enable members to tailor their own investment strategy to meet their own individual needs.
- To offer funds which allow diversification of risk and long term capital growth.
- To provide a default investment option for members who do not make their own investment decisions.

Mercer Workplace Savings (“MWS”) has selected funds on the Scottish Widows platform, managed by Mercer Global Investments Europe Limited, to provide a range of funds for the members to invest their contributions. Mercer, as the delegated investment manager, is responsible for making decisions on asset allocation, selection, appointment, removal and monitoring of underlying investment managers.



2.2. Review of the SIP



The SIPs for both Sections of the Fund were last reviewed at the Trustee meeting in September 2021 and subsequently approved. The DB Section SIP had no changes made but the DC Section SIP was updated to reflect the addition of new Active Sustainable Global Equity and Passive Sustainable Global Equity funds as part of the self-select range within the DC Section. The DC SIP was also updated for the inclusion of all of the additional default options out with the main default.

The Trustee consulted with the sponsoring company in finalising the SIPs.

2.3. Assessment of how the policies in the SIP have been followed for the Fund Year

The information provided in this section highlights the work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee’s policies in the SIP, relating to the Fund as a whole and the default investment arrangement.



In summary, it is the Trustee’s view that the policies in the SIP have been followed during the Fund Year.



Investment Mandates

Securing compliance with the legal requirements about choosing investments

Policy

As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant. The policy is detailed in Section 12 of the DB Section SIP and Section 8 of the DC Section SIP.



How has this policy been met over the Fund Year?

The Trustee reviewed the Fund's DB Section SIP in September 2021 and no changes were made.

For the DB Section, the Trustee is satisfied this policy has been followed over the Fund year.



How has this policy been met over the Fund Year?

The Trustee reviewed the Fund's DC Section SIP in September 2021.

The Trustee implemented active and passive versions of the Mercer Sustainable Global Equity Fund in March 2021 and this was reflected in the SIP update. Appropriate advice was provided by the Investment Consultant in relation to this investment at the Trustee meetings on 8 September 2020, 8 December 2020 and 2 March 2021.

The Trustee's received formal advice regarding this update from the Fund's Investment Consultant and comments from the Sponsoring Employer were received before approval.

For the DC Section, the Trustee is satisfied this policy has been followed over the Fund Year.



Investment Mandates

Realisation of Investments

Policy

The Trustee's policy is that there should be sufficient liquidity within the Fund's assets to meet short term cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Fund's overall investment policy.



Policy

Further details are set out in the following sections of the SIP:

- Realisation of Investments (DB SIP Section 8)
- Day-to-Day Management of Assets (DB SIP Section 6)

How has this policy been met over the Fund Year?

The Trustee monitors the Fund's cashflow position on a regular basis to ensure there is sufficient liquidity within the Fund to allow for the pay-out of approved member benefit requests and market drawdowns.

For the DB Section, the Trustee is satisfied this policy has been followed over the Fund Year in order to meet benefit payments.



Policy

Further details are set out in the following section of the SIP:

- Day-to-Day Management of Assets (DC SIP Section 5)

How has this policy been met over the Fund Year?

The Trustee received a quarterly administration update at each Trustee meeting to ensure that core financial transactions are processed within SLAs and regulatory timelines.

For the DC Section, the Trustee is satisfied this policy has been followed over the Fund Year and that generally requirements were met.



Environmental, Social and Governance (“ESG”)

Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

Policy

The Fund’s SIPs outlines the Trustee’s beliefs on ESG factors (including climate change). Further details are included in Section 9 of the DB Section SIP and Section 6 of the DC Section SIP. The Trustee keeps its policies under regular review.

How has this policy been met over the Fund Year?



The Pension Schemes Act 2021 introduced legislation requiring specified pension schemes to ensure there is effective governance with respect to the effects of climate change.

In order to establish these beliefs and produce this policy, the Trustee undertook investment training provided by the investment consultant on responsible investment. The training covered ESG factors, stewardship, climate change and ethical investing. This training was provided at the December 2020 Trustee meeting. At this meeting, the Trustee’s investment beliefs were discussed with the investment consultant and investment manager to assist the Trustee with establishing their policy in this area. Following the discussions at the Trustee meeting, the updated policies were incorporated into the SIP agreed in September 2020. The Trustees keep policies under regular review with the SIP subject to review at least triennially.

The Trustee has delegated responsibility for the selection, retention, and realisation of investments to their appointed investment manager and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the Principles for Responsible Investment (“UNPRI”) (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations. ESG and the level of integration will differ across asset classes and by investment manager.



As set out in the DB Section SIP, the Trustees have given the appointed investment manager full discretion in evaluating how ESG factors, including climate change considerations are taken into account in selecting and retaining the Fund's investments. This policy sets out the Trustee’s beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in September 2020 and the Trustee is satisfied that this policy has been followed over the Fund Year.



ESG ratings are monitored as part of the annual Value for Members Assessment in respect of the DC Section. The investment performance report is reviewed by the Trustee on a quarterly basis – this also includes ratings (both general and ESG) of the pooled funds in which the DC Section invests. Most of the funds remained generally highly rated during the year, with some not currently rated.



Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

Policy

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Fund's investments to the investment managers. Further details are set out in Section 10 (Engagement with the Investment Manager) of the DB Section SIP and Section 6 (Responsible Investment and Corporate Governance (Voting and Engagement)) of the DC Section SIP. The Trustee, primarily through the Investment Committee, can review the voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best performance over the medium to long-term.

How has this policy been met over the Fund Year?



During 2022, voting and engagement summary reports from the Fund's investment managers were available to the Trustee for review to ensure that they were aligned with the Trustee's policy. The Trustee does not use the direct services of a proxy voter.



Section 3 includes a sample of engagement and voting activity undertaken by the Fund's investment managers with investments in equities, and section 4 sets out a summary of voting activity and a sample of the most significant votes cast on behalf of the Trustee by these investment managers.

The Trustee supports the aims of the UK Stewardship Code and its investment managers are encouraged to report their adherence to the Code. The Fund's investment manager within the DB Section, Wm Thomson & Sons, is not a signatory to the current UK Stewardship Code. However the Fund's investment manager within the DC Section is a signatory to the current UK Stewardship Code.



Monitoring the Investment Managers

Incentivising asset managers to align their investment strategies and decisions with the Trustees' policies

Policy

The Trustee's policy is set out in Section 10 (Engagement with the Investment Manager) of the DB Section SIP and Section 7 (Arrangements with asset managers) of the DC Section SIP.



How has this policy been met over the Fund Year?

The Investment Committee meet with the investment manager on a regular basis to review and evaluate ongoing performance of the Fund. The Trustee's focus is on long-term performance but they engage with the investment manager if there are short-term performance concerns.



How has this policy been met over the Fund Year?

As the Trustee invests in pooled or multi-client investment vehicles they accept that they have no ability to influence the Investment Managers to align their decisions with the Trustee's policies set out in the DC Section SIP. However, appropriate mandates can be selected to align with the overall investment strategy.

Evaluation of asset managers' performance and remuneration for asset management services

Policy

The Trustee's policy is set out in Section 10 (Engagement with the Investment Manager) of the DB Section SIP and Section 7 (Arrangements with asset managers) of the DC Section SIP.



How has this policy been met over the Fund Year?

Over the year to 31 March 2022, the Investment Committee received monthly investment reports. These were then discussed on a quarterly basis at each of the Trustee meetings.

The Trustee will agree the remuneration with the investment manager on an annual basis.



How has this policy been met over the Fund Year?

The performance of each of the DC Section's funds, including those used in the Lifestyle arrangements, were reviewed by the Trustee at each of its quarterly meetings. This included fund performance against their benchmarks over both quarter and longer-term periods.

The charges paid to the investment managers for their services were analysed as part of the annual Value for Members assessment for the DC Section, which was conducted by the Fund's Investment Consultant at the Trustee's September 2021 meeting. It was concluded that the DC Section continued to provide good value for members in relation to member borne deductions, with additional member resources paid for by the Fund boosting this value further.



Monitoring the Investment Managers

Monitoring portfolio turnover costs

Policy

The Trustee's policy is set out in Section 10 (Engagement with the Investment Manager) of the DB Section SIP and Section 7 (Arrangements with asset managers) of the DC Section SIP.



How has this policy been met over the Fund Year?

With respect to the DB Section of the Fund the Investment Manager supplies statistics on Portfolio Turnover every month at the Investment meeting. Investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets), and where possible, performance objectives for investment managers were set on a net basis. In this way, managers were incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.



How has this policy been met over the Fund Year?

Portfolio turnover costs for each of the funds in the DC Section are reviewed by the Trustee on an annual basis as part of the annual value for members assessment and are also disclosed in the annual Chair's Statement. The Portfolio turnover costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager.

The duration of the arrangements with asset managers

Policy

The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Further details of the Trustee's policy are set out in Section 10 (Engagement with the Investment Manager) of the DB Section SIP and Section 7 (Arrangements with asset managers) of the DC Section SIP.



How has this policy been met over the Fund Year?

There is no set duration for the investment manager appointment. However, the appointment is regularly reviewed as to its continued suitability and could be terminated either because the Trustee are dissatisfied with the managers' ongoing ability to deliver the mandate promised or because of a change of investment strategy by the Trustee.



How has this policy been met over the Fund Year?

Similarly, all the funds within the DC Section are open-ended and therefore there is no set duration for manager appointments. The fund range is formally reviewed on at least a triennial basis.

Strategic Asset Allocation

Kinds of investments to be held, the balance between different kinds of investments and expected return on investments



Policy

The Trustee's policy on the kinds of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Portfolio Construction (SIP Section 4)
- Investment Strategy (SIP Section 5)

How has this policy been met over the Fund Year?

Over the Fund Year, the Trustee continued its review of the Fund's investment strategy, with particular focus on alternative investments that provided an element of de-risking and hedging within the investment portfolio. The Trustee considered the Fund's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk (including financially material risks such as Environmental, Social and Governance risks, including climate change), the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant.

The Fund's DB Section investment strategy will be updated once the Trustee is satisfied the spread of assets by type and the spread of individual securities within each type provides adequate diversification of investments for risk management purposes and the strategy achieves a balance between capital growth and protection of the value of the portfolio and the income generated from the portfolio.



Policy

The Trustee's policy on the kind of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Investment Objectives (SIP Section 2)
- Investment Strategy (SIP Section 4)

The default investment strategies are designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach in so far as is practical, to the needs of the Fund's members. The Trustee carries out regular assessments of the performance of the default investment strategies and their design to ensure they continue to remain appropriate for the membership.

The Trustee recognises that the default investment strategies will not meet the needs of all members and as such, alternative investment options are available for members to choose from – including alternative Lifestyle arrangements and a range of self-select funds.

How has this policy been met over the Fund Year?

The Trustee was satisfied with the performance of the funds over the Fund Year having performed in line with their underlying aims and objectives.



Strategic Asset Allocation

Risks, including the ways in which risks are to be measured and managed



Policy

The Trustee's policy on the management and measurement of risks involved in the investment of the assets of the DB Section can be found under the following section of the SIP:

- Risk Management and Measurement (SIP Section 3)

The Trustee considers the Fund's anticipated lifetime when considering risk management and concentrates on the risk of a deterioration in the funding level over the long-term when deciding investment policies, strategic asset allocation, and the choice of asset classes, funds, and asset managers.

Arrangements are in place to monitor the investments to help the Trustee check that nothing has occurred that would bring into question the continuing suitability of the current investments.

How has this policy been met over the Fund Year?

During the year, the Trustee received quarterly updates from the Scheme Actuary on the development of the funding position. In addition to this, the Investment Committee met monthly and the Trustee received regular reports from the investment manager.

There was no material change in the Fund's circumstances and the funding position improved over the Fund Year therefore no strategic changes were made to the investment strategy.



Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DC Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:

- Risk Management (SIP Section 3)

The Trustee recognises that there are a number of risks facing members of the DC Section and have taken these into consideration when determining the range of funds to offer to members. As detailed in the risk table in the DC Section SIP, the Trustee considers risk from a number of perspectives, including market risks, Environmental, Social and Governance risks, investment manager risk and liquidity risk.

How has this policy been met over the Fund Year?

The Trustee received quarterly administration reports which were reviewed by the Trustees to ensure that core financial transactions were processed within agreed service levels and regulatory timelines.

The Trustee also received updates from the Investment Consultant on developments concerning the investment manager. None of these updates resulted in any recommended changes to the DC arrangements.



The Trustee maintains a register of key risks, including investment risks, which is reviewed annually by the Trustees or more frequently if new risks are identified. 'Top' risks are also reviewed quarterly. The register of key risks rates the impact and likelihood of the risks and identifies mitigating factors and additional actions taken.

3. Examples of Engagement Activity by the Fund's Equity Investment Managers

Set out below is an example of engagement activity undertaken by one of the Fund's Equity investment managers in the DB section. We have shown engagement activity undertaken by Baillie Gifford as the largest allocation to an individual investment manager in the Fund is held in Scottish Mortgage Investment Trust PLC, an investment trust run managed by Baillie Gifford. We have also set out engagement information within the DC section.



Baillie Gifford engaged with Zoom Video Communications to understand its business and impact in the context of climate change

Zoom is still only at an early stage in calculating its own emissions footprint, though it has appointed an environmental consultancy to conduct analysis and intends to share results in the coming months. Beyond this, the Zoom product is also estimated to save several megatons (Mt) of carbon dioxide emissions thanks to avoided travel. The company estimated it saved around 55Mt during the calendar year 2020, which for comparison is close to Amazon's total footprint.

As ever, there are potential shortcomings to any calculations of avoided emissions. To complement such analysis, Baillie Gifford suggested to the company that users could be surveyed at random after each Zoom meeting to ask whether the meeting replaced business travel or commuting. The manager understands the company is now considering repurposing a survey feature in Zoom to track this, and will continue to monitor Zoom's progress in its carbon accounting and disclosures.



Mercer appoints sub-investment managers, who are expected to adopt voting and engagement practices that include a focus on sustainability risks and other material Environmental, Social and Governance (ESG) themes and topics.

These include governance and strategy, together with relevant environmental and social topics, consistent with Mercer's Investment Beliefs

Mercer therefore identified a number of priority themes and topics for engagement. Climate Change, Diversity and Modern Slavery are the current focus areas in our engagements with sub-investment managers.



4. Voting Activity during the Fund Year

Set out below is a sample of voting activity for this reporting period and overleaf a sample of the most significant votes cast on behalf of the Trustee by the Scottish Mortgage Investment Trust PLC, one of the DB Section's most significant indirect equity holdings.

Holding	Number of Proposals eligible to vote on	Vote Date	Board Recommendation	Vote Instruction
Rio Tinto PLC	22	09/04/2021	For 22 proposals	For 19 proposals, 3 against including vote to re-elect Megan Clarke as Director.
Murray International Trust	13	23/04/2021	For 13 proposals	For 13 proposals
British American Tobacco PLC	20	28/04/2021	For 20 proposals	For 18 proposals, 2 against including remuneration report.
Unilever PLC	26	05/05/2021	For 26 proposals	For 26 proposals
Scottish Mortgage Trust	15	24/06/2021	For 15 proposals	For 15 proposals
SSE PLC	23	22/07/2021	For 23 proposals	For 23 proposals
Syncona LTD	15	03/08/2021	For 15 proposals	For 15 proposals
Diageo PLC	20	30/09/2021	For 20 proposals	For 20 proposals
Target Healthcare REIT PLC	13	14/12/2001	For 13 proposals	For 13 proposals
Aberforth Smaller Companies Trust PLC	10	03/03/2022	For 10 proposals	For 10 proposals



Source: WM Thomson







Sample of the most significant votes



There is no official definition of what constitutes a significant vote; Baillie Gifford have provide the following list which is not exhaustive, but exemplifies potentially significant voting situations:

- Baillie Gifford's holding had a material impact on the outcome of the meeting,
- The resolution received 20% or more opposition and Baillie Gifford opposed
- Egregious remuneration, and
- Where we have opposed the election of directors and executives.

 Resolution not passed  Resolution passed

Manager	Fund	Company	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Baillie Gifford	Scottish Mortgage Investment Trust Plc	Netflix	03/06/2021	For	Baillie Gifford supported a shareholder resolution for a report on political contributions as they believe enhanced disclosure on the company's policies and procedures is in shareholders' best interests.	
		Tesla	07/10/2021	Against	Baillie Gifford opposed a shareholder resolution requesting additional reporting on Tesla's diversity and inclusion efforts. The manager believed the company continued to make good progress in relation to their diversity, equality and inclusion approach and reporting, and believed this proposal did not warrant support at this time.	
		Tesla	07/10/2021	Against	Baillie Gifford opposed a shareholder resolution requesting to declassify the board. They believed that full declassification of the board was not in the best interests of shareholders at this time, and instead supported management's alternate proposal for partial declassification.	
		Tesla	07/10/2021	Against	Baillie Gifford opposed a shareholder resolution requesting the appointment of an independent 'human capital management' committee. The manager believed the company were making good progress in this area, and were unconvinced that an additional committee would add any value for shareholders.	
		Tesla	07/10/2021	For	Baillie Gifford supported a shareholder resolution requesting a report on the company's use of arbitration to resolve employee disputes. The manager thought additional disclosure and transparency on this provision would be helpful in understanding Tesla's workplace practices.	
		Tesla	07/10/2021	Against	Baillie Gifford opposed a shareholder resolution requesting a report on the company's approach to human rights. They thought Tesla's current policies and practices were reasonable and improving, making this proposal unnecessary.	

Source: Baillie Gifford

Voting Activity during the Fund Year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Fund. Funds where voting is not applicable (i.e. non-equity funds) are not included in the list below. All DC investments are managed by Mercer Global Investments Europe Limited.

Fund	How many resolutions were you eligible to vote on?	What % of resolutions did you vote on for which you were eligible?	Of the resolutions on which you voted, what % did you vote with management?	Of the resolutions on which you voted, what % did you vote against management?	Of the resolutions on which you voted, what % did you abstain from voting?
Defensive	26,214	98.5	87.1	11.3	1.6
Growth	112,142	99.5	83.0	15.8	1.2
Moderate Growth	112,142	99.5	83.0	15.8	1.2
High Growth	112,142	99.5	83.0	15.8	1.2
Diversified Growth	109,631	99.5	83.0	15.8	1.2
Active Global Equity	5,509	99.9	91.3	7.8	0.9
Active Sustainable Global Equity	5,052	100.0	85.0	14.3	0.7
Passive Sustainable Global Equity Hedged	15,942	99.9	70.1	20.1	0.8

Source: Mercer



Sample of the most significant votes



Resolution not passed



Resolution passed

Fund	Company	Date of vote	Topic and how the Manager voted	Rationale of Manager vote	Final outcome following the vote
Mercer Growth	Microsoft Corporation	30/11/2021	Shareholder Proposal Regarding Implementation of the Fair Chance Business Pledge For (With Management)	A vote in favour was applied as Mercer support proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies	
	Microsoft Corporation	30/11/2021	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report For (Against Management)	A vote in favour was applied as Mercer expect companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.	
	Alphabet Inc	02/06/2021	Shareholder Proposal Regarding Human Rights/Civil Rights Expertise on Board For (Against Management)	A vote for this proposal was warranted because continued controversies call into question the extent to which the existing board provides adequate oversight on risks the company's technologies present to human and civil rights	
	Alphabet Inc	02/06/2021	Shareholder Proposal Regarding Linking Executive Pay to Sustainability and Diversity For (Against Management)	Companies that are exposed to high levels of environmental, social or reputational risk should include relevant and clearly measurable targets that focus management in mitigating these risks. A vote in favour was therefore warranted as Mercer support proposals related to how ESG issues are integrated into the company's strategy as we consider these disclosures to be material information for investors.	

Source: Mercer