

Thomson-Leng Superannuation Fund ('the Fund')


Annual Engagement Policy Implementation Statement for the Year Ended 31 March 2022

1. Introduction

This statement sets out how, and the extent to which, the Fund's Engagement Policy 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 is based on, and should be read in conjunction with, the SIP that was in place for the Fund Year, which is the SIP dated September 2020.

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 Statement of Investment Principles ("SIP") during the Fund Year, respectively.

 A copy of the SIP is available at: <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 of the Fund, and also sets out how the Fund's engagement and voting policy has been followed during the Fund Year. **The Trustee can confirm that all policies in the SIP on investment rights (including voting) and engagement have been followed during the Fund Year.**



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 primary objective is to make sure the Fund can meet its obligations to the beneficiaries of the Fund. At a minimum this means paying members the value of their accrued account increased in line with the Fund's investment income at retirement. Discretionary contributions may also be allocated to member accounts by the Company in order to help member accounts reach aspirational levels although this is not guaranteed. Accordingly, the key long term objective of the Trustee is to generate a strong return on investments with an emphasis on income generation. The Trustee has also considered the need for liquidity within the investment arrangements to ensure they can pay benefits as they fall due and the need to understand the future cashflow profile of the Fund when agreeing to proposed discretionary increases.

2.2. Review of the SIP



The Trustee reviewed the Fund's SIP at the Trustee meeting in September 2021 after taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). No changes were made to the Fund's SIP following this meeting.

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

The following are examples of engagement activity undertaken by one of the Fund's Equity investment managers. 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 managed by Baillie Gifford.

See section 4 below for more details on how the Trustee's policies on engagement have been implemented, as well as its policies on the exercise of investment rights (including voting).

Baillie Gifford engaged with...

1. Shopify Inc. to discuss the company's positive climate influence across the ecommerce value chain



Baillie Gifford spoke with Shopify, including Stacey Kauk director of the company's Sustainability Fund, to learn more about the approach to positive climate influence across the ecommerce value chain. Shopify reports its direct emissions and runs both its own and cloud-related activities on 100 per cent renewable power. Just as importantly, it is a direct investor in carbon reduction and removal innovators. This creates a deep knowledge of the offsetting market which it then, in turn, puts at the disposal of Shopify-enabled merchants that wish to offer offsets to their customers.

Baillie Gifford also discussed the company's interactions with logistics operators and carriers, where Shopify is exploring ways to accelerate its offer of lower-carbon warehousing and distribution. The company also acknowledged that it may be able to deploy the deep dataset it is gathering on ecommerce purchases to further educate and empower consumers on product carbon footprints. Shopify displays a strong pro-climate narrative in its communications, and we look forward to seeing how this continues to develop into direct action for decarbonisation.

2. Tesla, Inc. to learn more about its decision to open a showroom in Xinjiang, and the recent legal case against the company alleging racist behaviour at its Fremont factory

Baillie Gifford received helpful clarity regarding Tesla's operations in Xinjiang. They are cognisant of concerns about human rights abuses in the region involving the Uyghur population. Tesla explained that the new site is a service centre used for customers, who previously had to drive three hours to other centres in China. Baillie Gifford also learned that Tesla is investing in their responsible teams and has been completing upstream audits on their supply chain. Reviews of tier-one suppliers have been completed and work is ongoing to assess tier two to four suppliers. Reassuringly, all work done so far shows no sign of forced labour.



The second half of the discussion focused on the recent Department of Fair Employment and Housing (DFEH) case against Tesla alleging Black employees experienced pervasive racism. There are a few similar cases outstanding against the company. However, it is difficult to prejudge the outcome of these processes. What Baillie Gifford have seen over consecutive years is that the company is increasing its investment in human capital management and employee engagement. This includes better terms and conditions for staff, improving health and safety statistics and a more diverse employee base throughout the organisation.

Baillie Gifford received some helpful clarification on important employee and supply chain topics. They will continue to monitor these issues going forward, including raising them with the company ahead of this year's AGM.

4. Voting Activity and Engagement during the Fund Year

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. In addition, it is the Trustee's policy to obtain reporting on voting and engagement and periodically review the reports to ensure the policies are being met. Further details are set out in Section 8 (Engagement with the Investment Manager) of the SIP.

How has this policy been met over the Fund Year?

Over the year to 31 March 2022, voting and engagement summary reports from the Fund's investment managers were available to the Investment Committee 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.

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, Wm Thomson & Sons, is not a signatory to the current UK Stewardship Code.

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 Fund'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.	
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Source: Baillie Gifford

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