

Thomson-Leng Superannuation Fund ('the Fund')

Engagement Policy Implementation Statement for the Year Ended 31 March 2024

August 2024

Alastair Loudon



Contents

1. Section 1:	2
• Introduction	2
2. Section 2:	3
• Statement of Investment Principles	3
3. Section 3:	4
• Environmental, Social and Governance (“ESG”)	4
4. Section 4	6
• Engagement Activity by the Fund’s Investment Managers	6
5. Section 5	7
• Voting and Engagement Disclosures	7

Section 1:

Introduction

This Statement sets out how, and the extent to which, the Fund's Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustee been followed during the year running from 1 April 2023 to 31 March 2024 (the "Fund Year"). This Statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

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 2022.

Sections 2.1 and 2.2 of this Statement set out the investment objectives of the Fund and changes which have been made to the Engagement Policy during the Fund Year, respectively.

A copy of the SIP containing the Engagement Policy is available at <https://www.dcthomson.co.uk/pension-fund-information/>.

Section 3 of this Statement provides some highlights of the activity undertaken by the Trustee in relation to Responsible Investment and Environmental, Social and Governance (ESG) over the Fund Year.

Sections 4 and 5 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 in respect of the Fund's assets.

The Trustee can confirm that all policies in the SIP on engagement in relation to the Fund's assets have been followed during the Fund Year.

Section 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

During the Fund year, the Trustee reviewed the Fund's SIP at the Trustee meeting in September 2023, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")), and agreed no changes were needed to the current Statement in place.

Section 3:

Environmental, Social and Governance (“ESG”)

Policy

The Fund's SIP includes the Trustee's policy on ESG factors, stewardship and climate change. Further details are included in Section 7 of the SIP. 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. In summary, The Trustee believes that Environmental, Social and Governance (ESG) factors can have an impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee has given its appointed investment manager full discretion in evaluating ESG factors and exercising the voting rights and stewardship obligations attached to the investments, for the Fund's directly-held securities. The Trustee also recognises that as the investment manager invests assets in pooled funds and investment trusts, these assets are subject to the Responsible Investment and Corporate Governance policies of the individual underlying investment managers which are monitored by the investment managers.

How has this policy been met over the Fund Year?

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 Trustee keep policies under regular review with the SIP subject to review at least triennially. At the June 2023 Trustee meeting, the Trustee agreed that it would be helpful to start to consider what, as a group, their ESG and climate change views and beliefs are to help them develop a Trustee Board policy on ESG and climate change. The Trustee agreed to work in conjunction with Mercer to produce an ESG belief questionnaire for the Trustee Directors and Wm Thomson & Sons (“Wm Thomson”, the Fund's investment manager) to collate the Trustee Board's views and objectives on ESG issues. The work on this policy remains ongoing.

The Trustee has delegated responsibility for the selection, retention, and realisation of investments to their investment manager and accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors through their investment manager selecting industry leaders in investment management, for indirect holdings, 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.

The Trustee does not require the Fund's investment managers to take non-financial matters into account in their selection, retention and realisation of investments.

The Trustee have given Wm Thomson, 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 2023 and the Trustee is satisfied that this policy has been followed over the Fund Year.

Section 4

Engagement Activity by the Fund's Investment Managers

The following are examples of engagement activity undertaken by the Fund's Equity investment managers, where relevant. We have shown engagement activity undertaken by Baillie Gifford as the largest allocation to an individual investment manager in the Fund is held in the Scottish American Investment Company PLC, an investment trust managed by Baillie Gifford.

See section 5 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 Texas Instruments Incorporated to discuss its climate strategy and how the company are ensuring a resilient supply of electricity given challenges relating to Texas's energy grid.

Discussion: Texas Instruments confirmed to Baillie Gifford that work is underway on a post-2025 decarbonisation target (its current one expires in 2025). They explained that this area is of interest to their customers, who are thinking about how they will meet their own climate targets. There may be a risk that, without having a suitable decarbonisation plan, some customers will choose to procure analogue semiconductors from peers who have stronger climate commitments. From a resilience perspective, Texas Instruments highlighted the multiple mechanisms they have in place to ensure redundancy of their electricity supply, such as positioning fabrication plants at the grid intersection of various power generation facilities.

Outcome: Baillie Gifford are pleased that Texas Instruments is thinking about how its approach to climate will impact its customers and that they have a strategy in place to ensure that operations can continue in the event of future grid failure or outage.

Baillie Gifford engaged with Texas Instruments Incorporated to better understand how they plan to hit their climate commitments and their approach to climate more broadly, after they set a near term 2025 target to reduce absolute emissions.

Discussion: Baillie Gifford discussed how Texas Instruments thinks about its emissions and the prospect for net zero alignment over the long term. They plan to set new goals post 2025 but see little value in setting aspirational long-term goals at this stage. Progress towards net zero will also depend on the pace of grid decarbonisation in Texas.

Outcome: This was a helpful discussion. Baillie Gifford plan to monitor Texas Instruments' progress towards its 2025 targets and encourage them to set ambitious targets thereafter.

Section 5

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 directly-held investments to the appointed investment manager, Wm Thomson. 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.

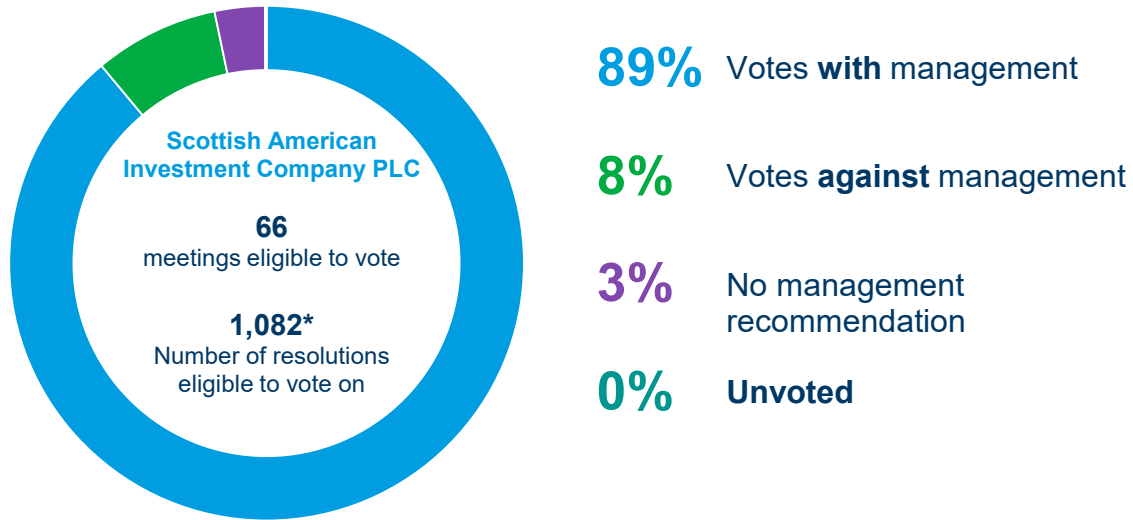
How has this policy been met over the Fund Year?

Over the year to 31 March 2024, 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, is not a signatory to the current UK Stewardship Code.

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 American Investment Company PLC (the "SAIC"), the Fund's largest collective investment vehicle holding:



*99.9% of resolutions voted on

Source: Wm Thomson & Sons, data may not sum due to rounding.

Set out below is a sample of voting activity for this reporting period on behalf of the Trustee by the SAIC, the Fund's largest collective investment vehicle holding.

Company	Number of Proposals eligible to vote on	Date of vote	Vote Instruction
Microsoft	24	07/12/2023	For 15 proposals, 9 against. Baillie Gifford opposed a shareholder resolution requesting a report on the implications of siting data centers in countries with human rights concerns. Baillie Gifford believed the company had a robust framework in place and ranks highly on its governance practices and there was clear evidence of a commitment to protect human rights. Baillie Gifford therefore do not believe that supporting this proposal is necessary at this time. Baillie Gifford opposed a shareholder resolution requesting a report on the company's retirement funds' management of systemic climate risk. They do not believe this is a material risk for the company and think they are doing enough by offering employees a range of investment options.
Novo Nordisk	20	21/03/2024	For 20 proposals.
Procter & Gamble	20	10/10/2023	For 15 proposals, 4 against and 1 abstention. Baillie Gifford opposed the shareholder resolutions requesting a civil rights audit regarding reverse discrimination, as they were comfortable with the existing diversity and inclusion policies of the company.
Apple	15	28/02/2024	For 10 proposals, 4 against and 1 abstention. Baillie Gifford abstained on the AI-related shareholder proposal as they believed that the request for a Transparency Report on the company's use of AI could be harmful to its competitive position and represent an unnecessary bureaucratic cost. Further, they did not see the value of the Report would bring to shareholders. However, Baillie Gifford saw a benefit for Apple to develop and disclose ethical AI principles, since they

Company	Number of Proposals eligible to vote on	Date of vote	Vote Instruction
---------	---	--------------	------------------

recognised there to be potential risks and opportunities associated with AI and believed principles can provide guard rails for its responsible development and deployment. Baillie Gifford will engage with the company to communicate their position.

Source: Baillie Gifford.

Most significant votes

For the purposes of this report, a significant holding is defined as being the top three direct equities by market value at 31 March 2024. The top three direct equity holdings on 31 March 2024 were BP plc, Shell plc and SSE plc. The priority themes being focussed on in this slide are:

- Climate Change: including low-carbon transition and physical damages resilience,
- Human Rights: including modern slavery, pay and safety in the workforce and supply chains; and
- Diversity, Equity and Inclusion: including inclusive and diverse decision making

✗ Resolution not passed ✓ Resolution passed

Company	Approximate size of the holding in the Fund (%)	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme
Shell plc	2.4	23/05/2023	Resolution sought shareholder approval for its energy transition progress update, which gives details of its progress against its climate objectives, as set out in its 2021 Energy Transition Strategy.	For	<p>Some concerns were noted: the Company's Scope 3 targets related to intensity reduction, rather than absolute emission reduction. In addition, a sizeable part of the plan relies on Carbon Capture and Storage.</p> <p>Progress has been made on the reduction of Scopes 1 & 2, and acquisitions have been made in renewable energy. The Plan covers Scope 1,2 and 3 emissions over multiple time frames. Commitments have been adhered to since the plan was introduced, and the Company believe the Plan is Paris-aligned.</p>	✓	Climate Change

Company	Approximate size of the holding in the Fund (%)	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme
Shell plc	2.4	23/05/2023	Resolutions related to the election or re-election of directors.	For	No issues were identified with any individual, and it is noted that 5 of the 12 proposed individuals are female, which is considered sufficiently diverse.	✓	Diversity, Equity and Inclusion
Shell plc	2.4	23/05/2023	Shareholder proposal for Shell to align its existing 2030 Reduction Target and the use of its Energy Products (Scope 3) with the goal of the Paris Climate Agreement.	Against	<p>Resolution was filed by a consortium of investors, led by the Dutch campaign group Follow This.</p> <p>Consortium consider Shell's existing 2030 target covering Scope 3 not to be Paris aligned, a claim the company refute. Company has provided information to demonstrate the progress they have made.</p> <p>Acceptance of the proposal would represent a change to Shell's existing strategy.</p>	✗	Climate change
BP plc	2.0	27/04/2023	Resolution on climate Change Targets.	Against	<p>The resolution was proposed by a consortium of shareholders, led by the Green Activist, Follow This.</p> <p>The consortium believe the Company can be far more engaged and should adopt stricter 2030 targets in addition to its 2050 targets. The inclusion of intensity targets rather than absolute targets was also sighted as a particular concern of the consortium. The Board's reply to the</p>	✗	Climate change

Company	Approximate size of the holding in the Fund (%)	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme
					proposal outlined how complex the strategy is, and that one area of the strategy cannot be assessed in isolation. It was recognised that accepting the strategy would be a constraint for the Board as it would represent a change in strategy.		
BP plc	2.0	27/04/2023	Resolutions related to the election or re-election of directors.	For	No issues were identified with any individual, and it is noted that 6 of the 13 proposed individuals are female, which is considered sufficiently diverse.	✓	Diversity, Equity and Inclusion
SSE plc	1.7	20/07/2023	Resolution was seeking approval for the Net Zero Transition report.	For	Overall, the Company's climate commitments and reporting meet expectations in most key respects. Paris-supportive activity is noted, and increased capex on low-carbon electricity infrastructure is positive development.	✓	Climate change
SSE plc	1.7	20/07/2023	Resolution was related to the election or re-election of directors.	For	No issues were identified with any individual, and it is noted that 5 of the 11 proposed individuals are female, which is considered sufficiently diverse.	✓	Diversity, Equity and Inclusion

Source: Wm Thomson & Sons