

# Thomson-Leng Provident Fund

SIP Implementation Statement for the Year Ended  
31 March 2024

September 2024

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# Section 1

## Introduction

This Statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustee for the Thomson-Leng Provident Fund (“the Fund”) has 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 relevant versions of the SIPs that were in place for the Fund Year, which were the Defined Benefit (“DB”) Section SIP dated September 2023 and the Defined Contribution (“DC”) Section SIPs dated September 2021 and September 2023.

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 SIP during the Fund Year, respectively.

Section 2.3 of this Statement sets out how, and the extent to which, the policies in the Defined Benefit (“DB”) Section and Defined Contribution (“DC”) Section of the SIP have been followed. **The Trustee can confirm that all policies in the SIPs have been followed in the Fund Year.**

Copies of the DB Section and DC Section SIPs are available at: <https://www.dcthomson.co.uk/pension-fund-information/>

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

# 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.

#### **DB Section**

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

#### **DC Section**

The Trustee recognises that DC Section 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") offers funds via the Scottish Widows platform to provide a range of investment options for 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 SIPs

During the Fund year, the Trustee reviewed and amended the Fund's DB Section and DC Section SIPs, taking formal advice from its Investment Consultant. A revised DB Section SIP was signed in September 2023 in order to reflect the introduction of a liability hedging portfolio in the Fund's investment strategy. The liability hedging portfolio was introduced through the purchase of physical fixed and inflation-linked UK government bonds to hedge c.48% of the liability exposure to interest rates and inflation at the point of implementation (albeit this target hedge was subsequently increased post Fund year-end). This was based on market conditions as at 31 May 2023 and a Gilts Flat liability basis. Interest rate and inflation risk are two of the main risks the Fund is exposed to. The bonds within the liability hedging portfolio will partially offset the impact of movements in interest rates and inflation on the value of the liabilities by responding in a similar way to interest rate and inflation changes, thereby reducing funding level volatility.

A revised DC Section SIP was also signed in September 2023 to include details of the new Mercer Shariah fund which became available to members in May 2023 and the change to the de-risking glidepath of the default investment strategy (lifestyle targeting drawdown at retirement) for members retiring in 2026 onwards to target holding 90% of assets in a specialised diversified retirement fund and 10% in a money market fund, rather than 75% and 25% respectively for members retiring before 2026 (who will retain the previous glidepath).

The Trustee consulted with the Sponsoring Employer before 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 has driven long term value for beneficiaries where relevant, and sets out how this work followed the Trustee's policies in the SIPs, relating to the DB Section and DC Section of the Scheme.

**In summary, it is the Trustee's view that the policies in the SIPs have been followed during the Fund Year to 31 March 2024.**

# 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 Sections 1 and 8 of the DC Section SIP.

DB Section	DC Section
<p data-bbox="114 655 819 687"><b>How has this policy been met over the Fund Year?</b></p> <p data-bbox="114 707 1075 807">The Trustee last reviewed and updated the Fund’s DB Section SIP in September 2023 to reflect the introduction of a liability hedging portfolio in the Fund’s investment strategy, as mentioned in the previous page.</p> <p data-bbox="114 853 1104 1086">Since implementing the liability hedging portfolio, the Trustee reviewed its appropriateness and agreed to increase the target hedge ratios. Therefore, in January 2024 the Trustee instructed Wm Thomson &amp; Sons (“WM Thomson”), the Fund’s appointed investment manager, to purchase additional physical fixed and inflation-linked UK government bonds to hedge 90% of the liability exposure to interest rates and inflation on the same Gilts Flat liability basis.</p> <p data-bbox="114 1134 1005 1198"><b>For the DB Section, the Trustee is satisfied this policy has been followed over the Fund year.</b></p>	<p data-bbox="1126 655 1827 687"><b>How has this policy been met over the Fund Year?</b></p> <p data-bbox="1126 707 2101 839">The Trustee added the Mercer Shariah Fund to the self-select range during the Fund Year, in April 2023. Appropriate advice was received from the Investment Consultant to support this decision at the prior Trustee meeting in September 2022.</p> <p data-bbox="1126 885 2069 949">No other investment changes were made by the Trustee during the Fund Year.</p> <p data-bbox="1126 997 2013 1061"><b>For the DC Section, the Trustee is satisfied this policy has been followed over the Fund Year.</b></p>

## 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.

DB Section	DC Section
<p><b>Policy</b></p> <p>Further details are set out in the following sections of the DB Section SIP:</p> <ul style="list-style-type: none"><li>• Realisation of Investments (DB SIP Section 8)</li><li>• Day-to-Day Management of Assets (DB SIP Section 6)</li></ul> <p><b>How has this policy been met over the Fund Year?</b></p> <p>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.</p>	<p><b>Policy</b></p> <p>Further details are set out in the following sections of the DC Section SIP:</p> <ul style="list-style-type: none"><li>• Day-to-Day Management of Assets (DC SIP Section 5)</li></ul> <p><b>How has this policy been met over the Fund Year?</b></p> <p>The DC Section assets are invested in pooled funds with daily liquidity. Over the Fund Year, the Trustee undertook regular monitoring of the Fund's investment options and is not aware of any liquidity issues arising in respect of those options.</p>
<p><b>For the DB Section, the Trustee is satisfied this policy has been followed over the Fund Year in order to meet benefit payments.</b></p>	<p>The Trustee received a quarterly administration update at each Trustee meeting to ensure that core financial transactions (including realisation of investments) are processed within service level agreements (SLAs) and regulatory timelines. The Trustee notes that the SLA score has improved since the previous Fund Year.</p> <p><b>For the DC Section, the Trustee is satisfied this policy has been followed over the Fund Year and that SLA target requirements were generally met.</b></p>

# 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 SIP 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.

#### DB Section and DC Section

#### 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 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 circulate an ESG belief questionnaire to the Trustee Directors and Wm Thomson to collate the Trustee Board's views and objectives on ESG issues.

The Trustee has delegated responsibility for the selection, retention, and realisation of investments to their investment managers 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.



## DB Section and DC Section

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.

### DB Section

As set out in the DB Section SIP, the Trustee has 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.**

### DC Section

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. In general, most of the funds remained well rated during the Fund Year.

MWS also considers ESG considerations as an important factor in the overall design of the investment strategy and the selection and retention of investment managers.

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

## 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's 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.

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.

### DB Section and DC Section

#### How has this policy been met over the Fund Year?

##### DB Section

The Fund's investment manager within the DB Section, Wm Thomson, is not a signatory to the current UK Stewardship Code. The Trustee does not directly use a proxy vote advisor.

##### DC Section

Since October 2022 trustees are required to identify their key stewardship themes and priorities and report on significant votes linked to these themes/priorities. The Trustee considers a significant vote as any vote in material investment funds (holds more than 5% of DC Section assets at Fund year-end) relating to holdings in a company representing at least 1% of the Fund year-end value of the investment fund, in three key stewardship priorities for the Fund relating to:

## DB Section and DC Section

- 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.

Section 3 of this Statement includes 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 the most significant votes cast on behalf of the Trustee by relevant 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 underlying managers used in MWS funds are signatories to the UK Stewardship Code.

# Monitoring the Investment Managers

## Incentivising asset managers to align their investment strategies and decisions with the Trustee’s 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.

DB Section	DC Section
<p><b>How has this policy been met over the Fund Year?</b></p> <p>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.</p>	<p><b>How has this policy been met over the Fund Year?</b></p> <p>As the Trustee invests in pooled or multi-client investment vehicles, they accept that they have limited 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.</p>

## 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.

DB Section	DC Section
<p data-bbox="114 560 822 592"><b>How has this policy been met over the Fund Year?</b></p> <p data-bbox="114 624 1032 722">Over the year to 31 March 2024, the Investment Committee received monthly investment reports. These were then discussed on a quarterly basis at each of the Trustee meetings.</p> <p data-bbox="114 767 1104 834">The Trustee will agree the remuneration with the investment manager on an annual basis.</p>	<p data-bbox="1126 560 1827 592"><b>How has this policy been met over the Fund Year?</b></p> <p data-bbox="1126 624 2107 791">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 the benchmark over both short-term and longer-term periods and peer group analysis for key component funds used in the default investment option.</p> <p data-bbox="1126 836 2085 1072">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 DC Investment Consultant in September 2023. The assessment 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 enhancing this value further.</p>

## 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.

DB Section	DC Section
<p><b>How has this policy been met over the Fund Year?</b></p> <p>The Trustee does not currently monitor portfolio turnover costs but may look to do this in the future. As part of the monthly reporting pack, the Trustee receives data on portfolio turnover. 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.</p>	<p><b>How has this policy been met over the Fund Year?</b></p> <p>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.</p>

## 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.

DB Section	DC Section
<p data-bbox="103 574 1115 630"><b>How has this policy been met over the Fund Year?</b></p> <p data-bbox="103 630 1115 957">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.</p>	<p data-bbox="1115 574 2107 630"><b>How has this policy been met over the Fund Year?</b></p> <p data-bbox="1115 630 2107 957">All funds within the DC Section are open-ended and therefore there is no set duration for manager appointments. The fund range is formally reviewed by the Trustee on at least a triennial basis as part of the investment strategy review. The latest investment strategy review was carried out in June 2023, during the Fund Year, and found that the investment strategy remains appropriate. The investment proposition, including manager appointments and funds available for the Trustee to offer to its members, are also reviewed by MWS on an annual basis as part of their annual strategy review.</p>

# Strategic Asset Allocation

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

DB Section	DC Section
<p data-bbox="114 536 215 571"><b>Policy</b></p> <p data-bbox="114 603 1099 699">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:</p> <ul data-bbox="114 708 656 778" style="list-style-type: none"><li data-bbox="114 708 656 740">• Portfolio Construction (SIP Section 4)</li><li data-bbox="114 746 656 778">• Investment Strategy (SIP Section 5)</li></ul> <p data-bbox="114 810 819 842"><b>How has this policy been met over the Fund Year?</b></p> <p data-bbox="114 874 1075 1037">Over the Fund Year, the Trustee continued its review of the Fund’s investment strategy, with particular focus on investments that provided an element of de-risking and hedging within the investment portfolio whilst meeting the DB Section’s investment objective set out in Section 2 of the SIP.</p> <p data-bbox="114 1085 1093 1286">In July 2023, the Trustee in consultation with the Sponsoring Employer and Wm Thomson, agreed to implement a liability hedging portfolio through the purchase of physical fixed and inflation-linked UK government bonds to hedge c. 48% of the liability exposure to interest rates and inflation. This was based on market conditions as at 31 May 2023 and a Gilts Flat liability basis.</p>	<p data-bbox="1122 536 1223 571"><b>Policy</b></p> <p data-bbox="1122 603 2094 699">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:</p> <ul data-bbox="1122 708 1664 778" style="list-style-type: none"><li data-bbox="1122 708 1664 740">• Investment Objectives (SIP Section 2)</li><li data-bbox="1122 746 1664 778">• Investment Strategy (SIP Section 4)</li></ul> <p data-bbox="1122 810 1827 842"><b>How has this policy been met over the Fund Year?</b></p> <p data-bbox="1122 874 2114 1209">The default investment option is designed after careful analysis of the membership characteristics in order to offer an appropriate approach for the needs of the Fund’s members. Performance of the default investment option is reviewed quarterly at Trustee meetings through the presentation of the quarterly investment report. The Trustee carries out regular assessments of the design of the default investment strategies to ensure they continue to remain appropriate for the membership. The Trustee undertook a formal Investment Strategy Review in July 2023, within the Fund Year, which found that the investment strategy remained appropriate and changes were recommended.</p> <p data-bbox="1122 1257 2114 1385">The Trustee recognises that the default investment option will not meet the needs of all members and as such, alternative investment options are available for members to choose from – including alternative lifestyle options and a range of self-select investment funds.</p>



DB Section	DC Section
<p>In December 2023, the Trustee considered various options to increase the level of interest rate and inflation hedging provided by their liability hedging strategy as interest rates had fallen since the strategy was implemented which, all else being equal, increased the value placed on the liabilities. Therefore, to further protect the Fund's funding level, increasing the target hedge ratios was an important consideration for the Trustee.</p> <p>The Trustee agreed to increase the target interest rate and inflation hedge ratios from c. 48% to c. 90% by acquiring an additional c. £155m of fixed and inflation-linked gilts. This was implemented by Wm Thomson in January 2024.</p>	<p>The Trustee was satisfied with the performance of the investment options over the Fund Year.</p>

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

DB Section	DC Section
<p><b>Policy</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>Risk Management and Measurement (SIP Section 3)</li> </ul> <p>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.</p>	<p><b>Policy</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>Risk Management (SIP Section 3)</li> </ul> <p>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</p>

## DB Section

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.

## DC Section

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 investment reports from the Investment Consultant to monitor performance of each of the DC Section's funds which were reviewed by the Trustee at each of its quarterly meetings. The investment report also includes updates on developments concerning the underlying investment managers. None of these updates raised any material risks or resulted in any recommended changes to the DC arrangements.

## DB Section and DC Section

The Trustee maintains a register of key risks, including investment risks, which is reviewed bi-annually by the Trustee 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.

# Section 3

## Engagement Activity by the Fund’s 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 DB Section of the Fund is held in Scottish Mortgage Investment Trust PLC, an investment trust run and managed by Baillie Gifford.

We have also set out engagement information within the DC section.

DB Section	DC Section
<p data-bbox="114 794 1115 997"><b>Baillie Gifford engaged with Amazon to discuss the company’s progress and developments in their climate strategy. With one of the largest value chains in the world, Amazon's sustainability initiatives mitigate risk of supply chain disruptions, support its brand and reputation, contribute to operational efficiencies and long-term cost savings.</b></p> <p data-bbox="114 1029 1115 1388"><b>Discussion:</b> Amazon had positioned itself as a climate leader by setting ambitious decarbonisation targets and establishing The Climate Pledge to accelerate climate action by the world's top companies. However, recent developments indicated challenges to delivering on its climate strategy. Baillie Gifford discussed the company's decision to step back from its SBTi commitment. Amazon referred to methodological differences with the SBTi regarding business complexity and differentiated pathways, both organisations' approach to offsets and Amazon's ongoing development as a high growth business. Amazon were looking at alternative organisations to validate its emissions targets and Baillie Gifford hoped a new supply chain standards report, due in 2024, would provide more insight into how Amazon</p>	<p data-bbox="1122 794 2107 925"><b>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</b></p> <p data-bbox="1122 949 1467 981"><b>LGIM Engages with APA</b></p> <p data-bbox="1122 1029 2107 1388"><b>Overview:</b> In 2022, APA, Australia's largest energy infrastructure business, was engaged by LGIM through their Climate Impact Pledge campaign. LGIM found APA to be lagging in climate-related lobbying activities. They expect credible transition plans aligned with the Paris Agreement's goal of limiting global temperature increase to 1.5°C. In early 2024, APA confirmed that they will include Scope 3 goals in the 2025 refresh of their Climate Transition Plan and outlined their proposed pathway for reducing Scope 3 emissions. The company attributed their commitment to feedback from investors, including the organization, who voted against their proposed plan in 2022. The organization's engagement strategy and voting policy aim to</p>

## DB Section

is progressing climate action and sustainability across its value chain. Finally, Baillie Gifford repeated their encouragement for Amazon to broaden the scope of its targets to include upstream emissions from first-party and third-party sellers on its platform. Given the company's systemic importance, Baillie Gifford believed this would be an important catalyst for decarbonisation across the value chain.

**Outcome:** Baillie Gifford remained supportive of Amazon's long-term aspiration to be net zero by 2040 and understood the pathway to this goal would be challenging. Baillie Gifford asked for greater transparency in how Amazon plans to achieve its objectives and outlined their belief that external validation of its targets is important to ensure accountability beyond its immediate emissions boundary. Baillie Gifford will continue to monitor Amazon's progress and engage when necessary.

## DC Section

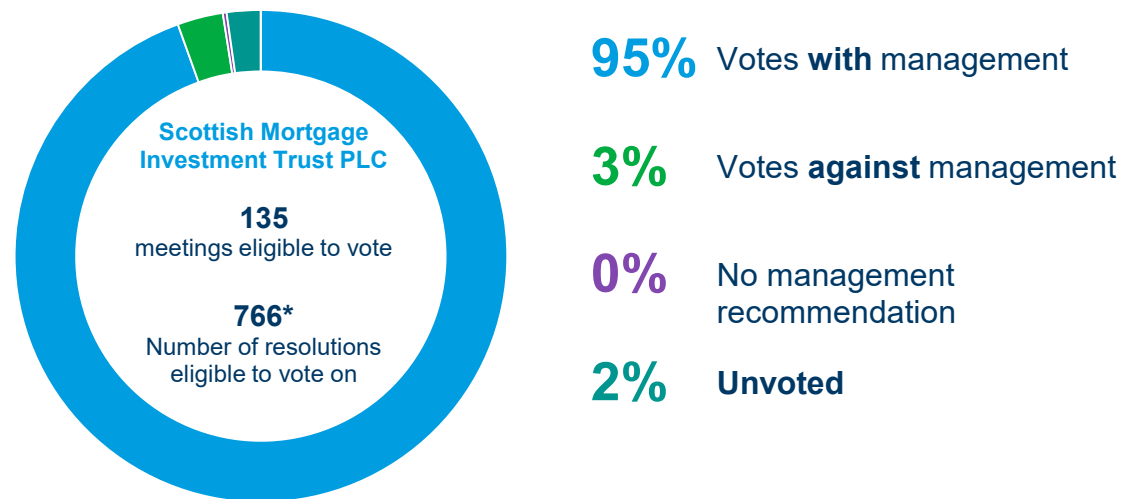
encourage decarbonization. They will continue engaging with APA on their journey to net-zero emissions.

# Section 4

## Voting Activity during the Fund year

### DB Section

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 (the "Trust"), the DB Section's largest collective investment vehicle holding.



\*97.8% 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 Trust, the DB Section's largest collective investment vehicle holding.

Company	Number of Proposals eligible to vote on	Date of vote	Vote Instruction
NVIDIA	16	22/06/2023	For 16 proposals.
ASML	15	26/04/2023	For 15 proposals.
Moderna	6	03/05/2023	For 5 proposals. Baillie Gifford opposed a shareholder proposal to commission a third party report into the feasibility of transferring the IP of Moderna's Covid-19 vaccine to companies in low- and middle-income countries. This was a re-file of the same proposal which was on the agenda last year and which Baillie Gifford opposed. Little had changed to warrant Baillie Gifford changing their view on this. There is little to suggest that there is a supply issue in low- and middle-income countries. Should Moderna license more of its IP, Baillie Gifford were confident it would have limited effect on addressing the Covid vaccine inequalities at the time of the vote and it also came with substantial risks which, Baillie Gifford believed, the company had considered appropriately.
Amazon.com	33	24/05/2023	For 21 proposals, 12 against. Baillie Gifford supported a shareholder resolution requesting a report on how the company's climate strategy is consistent with a 'just' transition. Amazon's pledge to reach net zero by 2040 suggests dramatic transformations are imminent. Baillie Gifford believe they should carefully consider the impacts their climate strategy will have on stakeholders and any barriers to implementation.  On the other hand, Baillie Gifford opposed a shareholder resolution requesting a third-party audit on warehouse working conditions. Baillie Gifford opposed this resolution last year and believe the company have continued to improve and enhance their disclosures, for example now disclosing injury rates. Baillie Gifford believe the enhanced disclosure will allow them to monitor progress on this issue and don't think additional disclosure is necessary at this time.
Tesla Inc	7	16/05/2023	For 6 proposals, 1 against. Baillie Gifford opposed the shareholder resolution requesting a report on Tesla's key-person risk, including identification of key persons and actions to

Company	Number of Proposals eligible to vote on	Date of vote	Vote Instruction
			ameliorate the impacts of their potential loss. While Tesla discloses that the company is dependent on CEO, Elon Musk, a report identifying key persons could put them at a severe competitive disadvantage. Further, this level of disclosure is not common practice for other US companies.
Kering	20	27/04/2023	For 14 proposals, 5 against and 1 abstention. Baillie Gifford opposed three resolutions on executive remuneration reports due to concerns with the stretch of ESG performance targets, and lack of downward discretion to reflect the Balenciaga scandal.
Ferrari	19	14/04/2023	For 19 proposals.
Meituan	17	30/06/2024	For 19 proposals.

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 Halma plc, AstraZeneca plc and Shell 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.

Examples of significant votes in the direct equities that fall under the priority themes identified are shown below and overleaf.

						✗ 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		
Halma plc	0.9	20/07/2023	Election or re-election of directors	For	No issues were identified with any individual, and it is noted that 5 of the 10 proposed individuals are female, which is considered sufficiently diverse.	✓	Diversity, Equity and Inclusion		
AstraZeneca plc	0.8	27/04/2023	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	0.9	23/05/2023	Sought shareholder approval for its energy transition progress update,	For	Some concerns were noted: the Company's Scope 3 targets related to	✓	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
			which gives details of its progress against its climate objectives, as set out in its 2021 Energy Transition Strategy		<p>intensity reduction, rather than absolute emission reduction.</p> <p>In addition, a sizeable part of the plan relies on Carbon Capture and Storage. Progress has been made on the reduction of Scopes 1 &amp; 2, and acquisitions have been made in renewable energy.</p> <p>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>		
Shell plc	0.9	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>	×	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
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Acceptance of the proposal would represent a change to Shell's existing strategy.

Source: Wm Thomson & Sons

## DC Section

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. Investment funds where voting is not applicable (i.e. non-equity funds) are not included in the list below. All DC investment funds are delegated to Mercer Workplace Savings (MWS).

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	36,282	97.2	81.9	17.0	1.1
Growth	125,611	97.6	84.4	15.0	0.7
Moderate Growth	122,337	97.5	84.3	15.0	0.7
High Growth	125,611	97.6	84.4	15.0	0.7
Diversified Growth	125,611	97.6	84.4	15.0	0.7
Active Global Equity	7,684	97.0	90	9.0	1.0
Active Sustainable Global Equity	6,381	100	89	11.0	1.0
Passive Sustainable Global Equity Hedged	17,113	98.0	77.0	22.0	1.0

Source: MWS

## Most significant votes

✗ Resolution not passed      ✓ Resolution passed

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme
	0.147	EDP-Energias de Portugal S.A.	12/04/2023	Assessment of 2030 Climate Change Commitment	For	The manager supported this proposal as they felt the current level of disclosures are sufficient to allow shareholders to understand and evaluate how the company intends to meet its climate objectives. The company has adopted a net zero ambition and has set reduction targets for its Scope 1, 2, and 3 emissions. The Company also provides reporting aligned with the TCFD and information concerning its scenario analysis.	✓	Climate Change
Mercer Growth	0.251	Public Storage	02/05/2023	Shareholder Proposal Regarding Lobbying Activity Alignment with the Paris Agreement	For	A vote in favour is applied as the manager expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.	✗	Climate Change
	0.178	Alphabet Inc	02/06/2023	Shareholder Proposal Regarding Human Rights	For	The manager published their intention to vote for this resolution, against management's recommendation.	✗	Human Rights

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme
				Impact Assessment				
	0.180	Digital Realty Trust Inc	08/06/2023	Shareholder Proposal Regarding Concealment Clauses	For	The proposal was withdrawn following the managers' vote. The manager will review the proposal if it is tabled again at future AGMs and continue to monitor the company's D&I disclosure and policies.	Withdrawn	Diversity

Source: MWS