

# **The Thomson-Leng Provident Fund (Defined Benefit Section)**

## **Statement of Investment Principles**

### **1. Introduction**

DC Thomson & Co Pension Trustee Limited (“the Trustee”), the Trustee of the Thomson-Leng Provident Fund (the “Fund”) has prepared this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004 and subsequent regulations. This Statement sets out the principles that govern the decisions about the investment of the Fund’s Defined Benefit assets. A separate Statement is maintained for the Defined Contribution assets.

In preparing this Statement, the Trustee has consulted with the Sponsoring Employer, DC Thomson & Company Limited.

The arrangements implemented are, in the Trustee’s opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

Investment policy can be considered in two parts; (1) the strategic management of the assets, the setting of which is one of the fundamental responsibilities of the Trustee and (2) the day-to-day management of the assets, which has been delegated to a professional investment manager.

### **2. Investment Objectives**

The Trustee’s aim is to meet their obligations to the beneficiaries.

### **3. Risk Management and Measurement**

The Trustee has taken into account the Fund’s anticipated lifetime when considering risk management and concentrated on the risk of a deterioration in the funding level over the long-term.

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. To facilitate this, the Investment Committee meets monthly, and the Trustee receives regular reports from the investment manager, Wm Thomson & Sons. They also receive quarterly updates from their Actuary on the development of the funding position.

The safe custody of the assets is delegated to the investment manager and all quoted assets are held in a designated nominee account by Multrees Investor Services.

Should there be a material change in the Fund’s circumstances, the Trustee will review whether, and to what extent, the investment arrangements should be altered.

### **4. Portfolio Construction**

The Trustee invests the assets in a segregated portfolio managed by Wm Thomson & Sons. The Trustee is satisfied that the spread of assets by type and the investment

manager's policy on investing in individual securities within each type provides adequate diversification of investments.

The manager has full discretion within the following guidelines:

- In general, to maintain a suitable and balanced portfolio of investments in company stocks and shares, debentures, gilts, warrants, investment trusts and cash deposits as appropriate.
- To achieve a balance between capital growth and protection of the value of the portfolio and the income generated from the portfolio.
- In general, investments will be in "readily realisable investments", which broadly means company stocks and shares, debentures, gilts, warrants, investment trusts and cash deposits. However, some investments which are not readily realisable investments may be made which may be difficult to dispose of or value. All investments are to be suitable investments for trustees of a pension scheme, with due regard to the terms of the Deed of Trust, legislation etc.
- A small investment is held in unlisted securities issued by the Sponsoring Employer and affiliated companies. The Trustee monitors the size of this holding on a regular basis to ensure that it does not exceed 5% of the Fund's assets.

## 5. **Investment Strategy**

The Trustee regularly reviews the investment strategy to ensure that it remains appropriate with reference to the nature and duration of the liabilities of the Fund.

A review of the Fund's investment strategy was carried out in 2023, taking into account the investment objective set out in Section 2. The Trustee, in consultation with the Sponsoring Employer and Wm Thomson, agreed to implement a liability hedging strategy through the purchase of physical fixed and inflation-linked UK government bonds to hedge 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.

The Trustee has since reviewed the liability hedging strategy and agreed to increase the hedge ratio of the Fund. Therefore, in January 2024 the Trustee instructed Wm Thomson 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.

The Trustee believes that the liability hedging strategy is appropriate for meeting the Fund's objective and partially mitigating the Fund's exposure to interest rate and inflation risk. These are two of the main risks the Fund is exposed to. A fall in interest rates and/or an increase in inflation expectations will in turn increase the present value of the liabilities, all else being equal. 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.

Subsequently, the Trustee has agreed to consider the purchase of an Insurer Bulk Annuity Policy to secure the DB members benefits in full. As part of this the Trustee decided to further increase the holdings in physical fixed and inflation-linked UK government bonds in order to better match the interest rate and inflation sensitivity of

the Insurer's indicative pricing of the Bulk Annuity Policy. This change was implemented in July 2024.

## 6. **Day-to-Day Management of the Assets**

The Trustee delegates the day-to-day management of the assets to their chosen investment manager, Wm Thomson & Sons, with regular oversight from the Investment Committee. The Trustee has taken steps to satisfy themselves that the manager has the appropriate knowledge and experience for managing the investments and that they are carrying out their work competently.

## 7. **Expected Return**

The Trustee aims to generate a return over the long term, net of expenses, to ensure the liabilities of the Fund are met on an ongoing basis. It is recognised that performance over the short term may deviate significantly from the long-term target.

## 8. **Realisation of Investments**

The investment manager has discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

The Trustee may from time to time withdraw funds from or provide funds to the investment manager at the discretion of the Investment Committee.

## 9. **Responsible Investment and Corporate Governance**

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 their 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 manager.

## 10. **Engagement with the Investment Manager**

The Trustee has given the appointed investment manager discretion when undertaking engagement activities in accordance with their own corporate governance policies and current best practice. The Trustee will review the investment manager's policies and engagement activities (where applicable) on an ad-hoc basis.

The policy in relation to the Trustees' arrangements with their investment manager are set out below.

*(i) Review of alignment of the appointed investment manager, investment strategy and decisions with the Trustees' policies:*

The investment manager is appointed based on their capabilities (as assessed by the Trustee) and, therefore, their perceived likelihood of achieving the investment objectives set out above, in particular their ability to achieve a balance between capital growth and protection of the value of the portfolio and the income generated from the portfolio.

The investment objective for the manager is set by the Trustee and is monitored by the Investment Committee. The Investment Committee regularly reviews the Fund's investment performance to ensure that the Trustees' wider investment objectives will be achieved.

The investment manager invests through a combination of segregated holdings and pooled funds and unit trusts. These underlying funds are subject to the specific vehicle's stated fee regime. The investment manager is responsible for the monitoring of these funds and the efficient management of the portfolio.

For the pooled investment vehicles the Trustee accepts that they have no ability to specify the risk profile and return targets of the managers, but that appropriate mandates are selected by the investment manager to provide portfolio diversification and align with the overall investment strategy.

*(ii) Directing the investment manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer, and to engage with issuers in order to improve their performance:*

The Trustee will consider how the investment manager's responsible investment philosophy aligns with the Trustees' responsible investment policy. This includes the investment managers' policy on voting and engagement. The Trustee will use this assessment in their monitoring of the investment manager, through the Investment Committee in the first instance.

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.

The Trustee delegates all voting and engagement activities to the investment manager. When required, the Trustee will question the manager's voting decisions if they deem them out of line with the objectives / policies of the Fund.

*(iii) Aligning the evaluation of the investment manager's performance and the remuneration for investment management services with the Trustees' policies:*

The Investment Committee meet with the investment manager on a monthly 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.

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

*(iv) Monitoring portfolio turnover costs incurred by the investment manager:*

The Trustee receives MiFID II reporting from their investment manager but does not analyse the information.

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 Trustees receive data on portfolio turnover.

*(v) Duration of the arrangement with the investment manager:*

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.

There is no set duration for the investment manager appointment. The Trustee will retain the investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that manager;
- The manager appointment has been reviewed and the Trustee has decided to terminate.

**11. Member Views**

Members have a variety of methods by which they can make views known to the Trustee. Such views would be considered by the Trustee and will be taken into account when setting direction to the Investment Manager.

**12. Review of this Statement**

The Trustee will review this Statement at least once every three years and after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments. Any review will also be in consultation with the Sponsoring Employer.

Signed: ...CHW Thomson.....

For and on behalf of DC Thomson & Co Pension Trustee Limited

Dated: ...11 December 2024.....

First Amendment: June 2000

Second Amendment: September 2010

Third Amendment: October 2016

Fourth Amendment: July 2017

Firth Amendment: June 2018

Sixth Amendment: September 2019

Seventh Amendment: September 2020

Eighth Amendment: September 2022

Ninth Amendment: September 2023

Tenth Amendment: September 2024