The Thomson-Leng Superannuation Fund

Statement of Investment Principles – September 2020

1. Introduction

DC Thomson & Co Pension Trustee Limited ("the Trustee"), the Trustee of the Thomson-Leng Superannuation Fund (the "Fund") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments.

In preparing this Statement, the Trustee has consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with DC Thomson & Company Limited (the "Sponsoring Company") to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Fund's investment arrangements and, in particular, on the Trustees' objectives.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustee and is driven by its investment objectives as set out below.

The remaining elements of policy are part of the day to day management of the assets which is delegated to a professional investment manager, William Thomson & Sons. The format of this Statement is designed to provide a logical statement rather than an ordered response to the Act. The Trustee believes, however, that it incorporates a response to all the requirements of the Act.

2. Investment Objectives

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.

3. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustee's policy on risk management over the Fund's anticipated lifetime is as follows:

- The Trustee understands that taking some investment risk, with the support of the Sponsoring Company, is necessary to maintain the Fund's funding level and meet its objectives. The Trustee recognises that equity (and other growth asset) investment will bring increased funding level volatility but is comfortable investing in such assets in the expectation of maintaining the current funding level surplus over the long term.

- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's accruing liabilities as well as producing more volatility in the Fund's funding position.

- The Trustee has delegated asset allocation decisions to its investment manager. The asset allocation has been set so that the expected return on the portfolio is sufficient to meet the objectives outlined in Section 2.

- The Trustee recognises the risks that may arise from a lack of diversification of investments. The investment manager aims to ensure the asset portfolio in place results in an adequately diversified portfolio. To help the Trustee ensure the continuing suitability of the current investments, the manager provides the Trustee with regular investment reports and meets with the Investment Committee on a monthly basis.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee. The Trustee recognises that the use of active management involves such a risk. However, the Trustee believes that this risk is outweighed by the potential gains from successful active management.

- Investment may be made in securities or investment trust vehicles that are not readily realisable but will always be balanced by more liquid direct equity investments which are readily realisable.

- The Trustee also recognises the risk that members could retire earlier than anticipated putting pressure on the Fund if aspirational account levels are to be achieved while maintaining a strong funding position. To manage the potential funding and liquidity risks that may result from this risk, the Trustee will consider future expected cashflow analysis from the Scheme Actuary when the Company proposes discretionary contributions each year. This will inform whether any changes to the investment strategy could be appropriate.

- Responsibility for the safe custody of the Fund's assets is delegated to the investment manager and all quoted assets are held in a designated nominee account by Meadowside Nominees Ltd.

4. Investment Strategy

In line with the investment management agreement the Trustee delegates all day-to-day investment decisions to its investment manager, as detailed in section 5.

The Trustee is satisfied that the broad mandate given to the manager is sufficient to allow the manager to meet the Fund's objectives, but will reconsider the mandate guidelines from time to time.

5. Day–to-Day Management of the Assets

The Trustee delegates the day to day management of the assets to its chosen investment manager, Wm Thomson & Sons, with regular oversight from the Investment Committee. 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 subject to the following guidelines from the investment management agreement:

a) 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;
b) To achieve a balance between capital growth and protection of the value of the portfolio and the income generated from the portfolio; and
c) 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. However 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.

The investment manager is regulated by the Financial Conduct Authority ("FCA") and has day to day responsibility for the investment of the Fund's assets. As required by the Financial Services Act 1986, the Trustee has entered into a signed Agreement with the manager.

This document provides important protections for the Fund itself and for the Trustee. It sets out the terms on which the assets are managed, including the investment brief, guidelines and restrictions under which the investment manager works.

6. Realisation of Investments

The 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.

7. 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 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.

8. 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 Trustee's arrangements with their investment manager are set out below.

(i) Directing the appointed investment manager to align their investment strategy and decisions with the Trustee's 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 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 taking appropriate action if there are sustained performance concerns.

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 Trustee's responsible investment policy. This includes the investment manager's policy on voting and engagement. The Trustee will use this assessment in its monitoring of the investment manager, through the Investment Committee in the first instance.

The Trustee, primarily through the Investment Committee, can review 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 Trustees 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 Trustee 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 its 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.

(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 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.

9. Member Views

Members have a variety of methods by which they can make views known to the Trustees and these would be considered in the selection, retention and realisation of investments.

10. Review of this Statement

The Trustees will review this Statement in response to any material changes to any aspects of the Fund, its liabilities, finances and the attitude to risk of the Trustees and the Sponsoring Company which they judge to have a bearing on the stated Investment Policy.

Any change to this Statement will only be made after having obtained and considered the written advice of someone whom the Trustees reasonably believe 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.

C HW Thomson
Signed on behalf of DC Thomson & Co Pension Trustee Limited,

16 September 2020
Date