

Thomson-Leng Superannuation Fund ('the Fund')

Annual Engagement Policy Implementation Statement for the Year Ended 31 March 2021

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 2020 to 31 March 2021 (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 relevant versions of the SIP that were in place for the Fund Year, which were the SIP dated September 2019 (covering the period between September 2019 to September 2020) and the SIP dated September 2020 (covering the period September 2020 onwards).

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



During the year, the Trustee reviewed and amended the Fund's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). A revised SIP was produced in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 to outline the Trustee's arrangements with its asset managers including:

- How the arrangements with the asset managers incentivise them to align their investment strategies and decisions with the Trustee's investment policies.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of the asset managers' performance and the remuneration of asset managers are in line with the Trustee's investment policies.
- How the Trustee monitors "portfolio turnover costs" incurred by the asset managers.
- The duration of the arrangements with the asset managers.

The SIP was reviewed at the Trustee meeting on 8 September 2020 and subsequently approved.

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

Wm Thomson & Sons did not directly engage with the segregated holdings over the year as it was agreed with the Trustees that voting would be curtailed significantly over the 2020/21 year due to Covid 19.

The following though are examples of engagement activity undertaken by one 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...

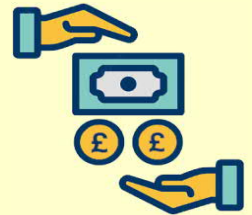
1. ASML Holding regarding corporate governance matters



Baillie Gifford had a conference call with CFO, Roger Dassen, during which they covered a variety of topics, including how the company is coping with the coronavirus pandemic, potential implications of elevating political tensions between the US and China, and the long term opportunity to expand the company's share of semiconductor industry capital expenditure.

2. Spotify Technology S.A. to discuss the company's ESG goals

Spotify aims to enable a million creative artists to live off their art. Baillie Gifford met with the head of creator business during the quarter and, as well as discussing current and future opportunities for the streaming platform, the manager got a better understanding of how the business is measuring progress against its core mission. A methodology for each country has been defined to enable management to monitor how many artists are able to live off their work. Baillie Gifford are thinking about appropriate metrics which could be used to report progress against this mission and are following up.



3. NIO regarding future plans for their battery technology

In a meeting with founder CEO William Li Baillie Gifford delved into NIO's pioneering approach to battery swapping. This is not simply about the time it takes to charge a car. Swapping can help customers who have no home charging infrastructure to make the transition from internal combustion to electric vehicle, while also easing concerns about battery degradation and obsolescence over time (battery technology is advancing rapidly). NIO has already accumulated unparalleled know-how in battery swapping and has helped develop national standards in China relating to safety and durability. It recently established a battery management company and launched its battery-as-a-service offering. Baillie Gifford continue to monitor developments in this aspect of their investment thesis.



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 2021, 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. As above Wm Thomson & Sons did not cast any direct votes over the year due to Covid 19.

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
John Menzies PLC	15	01/05/2020	For 15 proposals	For 14 proposals. Withheld vote to Elect Christian Kappelhoff-Wulff as Director
Scottish Mortgage Trust	16	25/06/2020	For 16 Proposals	For all 16 Proposals
Primary Health Properties	2	04/01/2021	For 2 Proposals	For 2 Proposals
Aberdeen Diversified Income & Growth	17	23/02/2021	For 17 Proposals	For 17 Proposals
Martin Currie Global Portfolio Trust	2	23/02/2021	For 2 Proposals	For 2 Proposals
Chrysalis Investments Limited	1	08/03/2021	For 1 Proposals	For 1 Proposal
The Renewable Infrastructure Group	1	25/03/2021	For 1 Proposals	For 1 Proposal
Coupland Cardiff Japan Income & Growth	13	26/03/2021	For 13 Proposals	For 13 Proposals
Polar Capital Global Financials Trust	12	30/03/2021	For 12 Proposals	For 12 Proposals



Source: WM Thomson









Sample of the most significant votes

There is no official definition of what constitutes a significant vote; managers have adopted a variety of interpretations such as:

- There is a particular interest in a specific vote relating to an issue,
- The potential impact on the financial outcome,
- Size of the holding in the fund / mandate, and
- Whether the vote was high-profile or controversial.

 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	Amazon	27/05/2020	For	Baillie Gifford supported a shareholder proposal to improve the transparency of Amazon's corporate lobbying policies and governance. They believed greater transparency of all political expenditures and lobbying, particularly indirect spending through trade associations, coalitions and charities, would enable shareholders to assess alignment with Amazon's values and corporate goals.	
		Facebook	27/05/2020	For	Baillie Gifford supported a shareholder resolution relating to the introduction of a majority voting standard for directors as they believed that simple majority voting is best practice for director elections.	
		Illumina	27/05/2020	Against	Baillie Gifford opposed a shareholder proposal relating to political contribution reporting as they believed that the company's current practices in this area are satisfactory.	
		Kering	16/06/2020	Against	Baillie Gifford opposed three resolutions related to remuneration due to concerns with the link between pay and performance.	
		Tesla	22/09/2020	For	Baillie Gifford supported a shareholder proposal to eliminate supermajority voting requirements from the company's bylaws and to adopt a simple majority voting standard. They thought this change was in shareholders' best interests.	
		Tesla	22/09/2020	For	Baillie Gifford supported a shareholder proposal requesting a report on the company's use of arbitration to resolve employee disputes. They thought additional disclosure and transparency on this provision would be helpful in understanding Tesla's workplace practices.	

Source: Baillie Gifford