

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 the subsequent regulations, and the Occupational Pension Schemes (Investment) Regulations 2005, as amended from time to time. It has been prepared in accordance with applicable guidance from the Pensions Regulator. This Statement sets out the principles that govern the decisions regarding 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 advice received and 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 and Bulk Purchase Annuity (“BPA”) provider “the Provider”.

2. Investment Objectives

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

As a key step to achieving this, the Trustee, following consultation with the Sponsoring Employer, entered an irrevocable Bulk Purchase Annuity Policy (“Buy-In Policy”) with the Provider in respect of all DB Section members who have accrued benefits in the Fund. The Buy-In Policy was entered into in October 2024. The Provider is authorised and regulated by the Financial Conduct Authority and the Bank of England Prudential Regulation Authority to write contracts of this nature in the UK and is one of the UK’s largest insurers operating in this market.

The purchase of the Buy-In Policy was funded by a portion of the Fund’s existing assets, and the residual assets remaining in the Fund will be invested to meet ongoing contributions from the Sponsoring Employer to the DC Section of the Fund. Future benefits payable from the Fund to DB Section members will be met by payments received from M&G through the Buy-In Policy.

The Trustee appointed the Provider for the Fund’s Buy-In Policy after obtaining and considering the written advice of their investment advisor, Mercer, who the Trustee believes to be suitably qualified to provide such advice.

The Fund’s assets consist of the Buy-In Policy, which secures the accrued benefits of all DB Section members, and a residual portfolio of assets which will be invested by the

Investment Manager to generate income sufficient to meet the ongoing Sponsor Contributions to the DC Section of the Fund.

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 Trustee is aware of, and pays close attention to, a range of risks inherent in investing the assets of the Fund. The Trustee has sought to mitigate key risks through the purchase of a Buy-In Policy. The Trustee believes the following risks may be financially material over the future lifetime of the Fund:

- **Failure of the Buy-In policy provider (counterparty risk):** Before entering the bulk annuity contract, the Trustee obtained and carefully considered professional advice regarding the suitability of the Provider as a Buy-In Policy provider. In addition, the Trustee is aware that regulatory oversight and, ultimately, the Financial Services Compensation Scheme, provide a degree of statutory protection to policyholders of long-term insurance contracts such as the Buy-In Policy in the event that an insurer encounters financial difficulty or becomes insolvent.
- **Diversification Risk:** The Trustee recognises that the decision to invest in a bulk annuity contract with a single provider, while reducing operational risks and complexity, represents a concentration of investment risk. However, after careful scrutiny of the provider prior to the transaction, the Trustee is satisfied that the degree of risk taken is acceptable.
- **Liquidity Risk:** The Trustee does not expect to be able to obtain cash from the Buy-In Policy other than to meet the promised benefits as agreed with the Provider. Prior to purchasing the policy, the Trustee is satisfied that all known DB Section benefits would be insured in full. Under the terms of the policy, a post-transaction period of data cleansing is being undertaken between the Fund's administrator and the Provider. The Trustee also holds a substantial balance of assets outside the Buy-In Policy to meet residual cash flow requirements and other potential liquidity needs.
- **Environmental, social and governance risk (including climate change):** The Trustee recognises that environmental, social and corporate governance concerns, including climate change, can have a financially material impact on the Fund. With the purchase of the Buy-In Policy, the Trustee's responsibility for the management of these risks in respect of the assets backing the DB section liabilities is limited and passed on to the Provider. The residual assets of the Fund are held predominantly 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 Fund's Investment Manager.

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 residual assets outside the Buy-In Policy 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 Investment 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.

In October 2024, the Trustee completed the purchase of a Buy-In Policy, and the Fund's physical fixed and inflation-linked UK government bonds were transferred to the Provider in-specie to meet the insurance premium.

The Fund's accrued Defined Benefit liabilities are met by the Buy-In Policy. The Provider is responsible for the realisation of assets within the policy to make the payments due under the contract. The nature of the Buy-In Policy is such that its expected return on the Policy is equal to the change in value of the member benefits covered.

The majority of the residual invested assets are invested in pooled funds, investment trusts, and direct equity by the Investment Manager. The aim of these assets is to generate income sufficient to meet the ongoing Sponsoring Employer contributions into the DC Section of the Fund while providing capital growth and daily access to liquidity.

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

The Trustee has appointed the Provider having obtained and considered written advice from its advisors, who the Trustee consider to be suitably qualified to provide such advice.

The Buy-In Policy contract will be monitored to ensure that the Provider continues to deliver what is expected under the contract, which is to provide cashflows aligned with the benefits due to the members covered by the policy.

The Trustee has appointed the Provider with the expectation of a long-term partnership with the Trustee to provide the Fund with the regular funds required to meet the Fund's liabilities. As Buy-In contracts cannot be traded on the open market, and by definition will perform as expected, the Trustee would not expect to review the Provider's appointment.

The Trustee paid a premium to the Provider in October 2024 when it entered into the policy and there are no ongoing fees in respect of the policy.

The Trustee delegates the day-to-day management of the assets, excluding the bulk annuity contract, to the chosen Investment Manager, Wm Thomson & Sons, with regular oversight from the Investment Committee. The Trustee has taken steps to satisfy itself that the Investment Manager has the appropriate knowledge and experience for managing the investments and that it is carrying out its 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, which now consists of meeting the Sponsoring Employer contributions into the DC Section, are met on an ongoing basis.

8. **Realisation of Investments**

The Buy-In Policy is used for the payments of pensions. Payments from the Provider are expected to meet ongoing payments due to the beneficiaries of the Fund.

The Investment Manager has discretion in the timing of the realisation of investments (e.g. to meet DC Section contributions from the Sponsoring Employer) 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 good stewardship is in the best interests of the Fund's beneficiaries and aligned with its fiduciary duty, as it can enhance long-term portfolio performance and preserve value for companies and markets as a whole.

The Trustee believes that Environmental, Social and Governance (ESG) factors may have a material 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.

Given the Buy-In Policy purchased in October 2024, the Trustee's expectation is that the scope for meaningful engagement and ESG integration with the Provider is limited.

For the Fund's residual assets, 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 in response to any material changes to any aspects of the Fund, its liabilities, finances and the attitude to risk of the Trustee and the Sponsoring Employer which they judge to have a strong 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 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: ...18 February 2025.....

First Amendment: June 2000

Second Amendment: September 2010

Third Amendment: October 2016

Fourth Amendment: July 2017

Fifth Amendment: June 2018

Sixth Amendment: September 2019

Seventh Amendment: September 2020

Eighth Amendment: September 2022

Ninth Amendment: September 2023

Tenth Amendment: September 2024

Eleventh Amendment: December 2024