

Lothian Pension Fund Long Term Global Growth

Report for the quarter ended
31 March 2026



Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	2	Companies	None	Companies	None
Resolutions	14	Resolutions	None	Resolutions	None
Resolutions	14	Resolutions	None	Resolutions	None

Company Engagement

Engagement Type	Company
Environmental	Cloudflare, Inc., Contemporary Amperex Technology Co., Limited, Kweichow Moutai Co., Ltd., Netflix, Inc., Taiwan Semiconductor Manufacturing Company Limited
Social	Duolingo, Inc., Roblox Corporation, Taiwan Semiconductor Manufacturing Company Limited
Governance	Atlassian Corporation, BeOne Medicines AG, Duolingo, Inc., Netflix, Inc., Shopify Inc.
Strategy	ASML Holding N.V., BeOne Medicines AG, Contemporary Amperex Technology Co., Limited, Duolingo, Inc., Kweichow Moutai Co., Ltd., Netflix, Inc., Rivian Automotive, Inc., Roblox Corporation, Shopify Inc., Taiwan Semiconductor Manufacturing Company Limited
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An engagement may cover more than one topic. Notes on a selection of engagements can be found in this report. This is not exhaustive and further details of company engagements are available on request.

Votes Cast in Favour

Companies	Voting Rationale
Symbotic, Titan Co Ltd	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

We did not vote against any resolutions during the period.

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

We did not withhold on any resolutions during the period.

Company	Engagement Report
BeOne Medicines AG	<p>Objective: We met in Beijing with Xiaodong Wang, scientific co-founder of BeOne and chair of the Scientific Advisory Committee, to hear his perspective on China's biotech ecosystem, BeOne's pipeline evolution, and the transition to BeOne 2.0.</p> <p>Discussion: Wang provided valuable context on the broader Chinese biotech landscape, where he sees continued incremental innovation on proven concepts rather than truly novel drug development over the coming decade. While the background to building innovative drug companies has improved significantly since BeOne was founded, several structural barriers persist: a shortage of proven, globally credible biotech chief executive officers (he cited only a small handful), and a clinical ecosystem where many doctors remain less in touch with global best practice. In his view, sales teams can still find themselves educating clinicians on basics such as staying current with medical literature and the value of running top-quality trials.</p> <p>On capital, he felt China's funding pool has improved but remains overly reliant on global players; a deeper home-grown funding base could better support long term research. He also noted Hong Kong's biotech funding market is not yet deep enough to underpin the sector at scale. The reimbursement backdrop remains a drag: getting onto government-approved hospital lists is essential for success, but can require steep price cuts, dampening entrepreneurial activity.</p> <p>For BeOne specifically, he noted competition for Chinese-origin assets has intensified, pushing up M&A prices. Nonetheless, BeOne intends to pursue selective deals as part of "BeOne 2.0" (moving from building revenue and profitability to broadening the pipeline). He argued BeOne doesn't have to be first at early development, as its time and cost advantages in trial execution are so great. He reiterated management's ambition to move from two marketed molecules today to roughly ten in five years, with around half having best-in-class potential.</p> <p>Outcome: The meeting did not materially change our view on BeOne, but it strengthened our understanding of the structural constraints and opportunities shaping Chinese biotech. Overall, we remain comfortable with BeOne's progress and pipeline ambition, supported by strong recent revenue growth.</p>
Duolingo, Inc.	<p>Objective: We met with Duolingo's incoming Chief Financial Officer (CFO), Gillian Munson, and departing CFO, Matt Skaruppa, following the announced transition to understand the rationale and timing for the change, Munson's motivation for stepping in, and what she expected to bring to the role.</p> <p>Discussion: Management framed the transition as a continuity-led move, with Munson highlighting her long history with the company, including as Audit Chair and as a mentor to Skaruppa earlier in his tenure. They acknowledged it was unusual to move from the Board into the CFO seat, but said the timing aligned with Munson's availability after a major corporate transaction at her prior company, Vimeo, where a sale process completed late last year and freed her to take on a full-time executive role.</p> <p>We also discussed what the change could mean for Duolingo's market communication as it navigated a strategy shift that prioritised user growth ahead of near-term monetisation. The team emphasised being more straightforward with the market about both progress and investment needs, and positioned the appointment as reinforcing Luis von Ahn's long-term, "users first" approach.</p> <p>Outcome: We left somewhat uneasy about the timing, given the strategic transition underway, but partly reassured by the continuity Munson should provide and our confidence in Luis von Ahn's judgement. The discussion strengthened our understanding that management was prepared to tolerate near-term noise to pursue durable user growth. This meeting was primarily information-gathering; our overall view was broadly unchanged, and we planned to re-engage once Munson was more embedded in the role.</p>

Company	Engagement Report
	<p>Objective: To provide recommendations on the company's sustainability management and disclosure, supporting the company in benchmarking its practices against global leaders, with a particular focus on water resource management across the value chain.</p> <p>Discussion: This is the third consecutive year in which we have provided written input on Moutai's ESG reporting and governance. We acknowledge significant improvements made in previous years, including mapping the water footprint in producing its core products, setting short- to medium-term water-saving targets, and establishing an ecological monitoring data platform in the production area. From a recent investment trip to Moutai town, we also learned from the conversation that Moutai enhanced its understanding of climate impacts by commissioning third-party analysis to address climate-related risks. It keeps at least two years' worth of sorghum in storage, providing some flexibility in the event of poor harvests. With all these improvements and achievements in mind, this year, we continued to encourage Moutai to further reflect on its role across the value chain on water resources management, given the material importance of water in Moutai's products and its long-term growth. We particularly emphasised sustainable water use in raw material production, as this currently represents a missing component and usually accounts for a fair share of total water consumption.</p> <p>Outcome: Moutai thanked us for our advice, as usual. We view written correspondence as an effective engagement method and intend to continue using this channel to support the company in further enhancing its sustainability credentials.</p>
	<p>Objective: We engaged with Netflix's lead independent director and compensation committee chair to discuss the company's recent attempt to acquire Warner Bros. Discovery. Our aim was to understand how the board assessed the merits of the deal, its interactions with management and why it ultimately chose to step away from the transaction.</p> <p>Discussion: We started by focusing on board governance and decision-making. Directors described a months-long process with early visibility of management's intentions, frequent debate, and scrutiny of strategic rationale, valuation and execution risk. The scale of the proposed transaction tested Netflix's "build versus buy" discipline, with the board framing Warner Bros. Discovery as an offensive, value-add opportunity rather than a prerequisite for long-term growth, which reinforced the importance of maintaining financial discipline.</p> <p>We then discussed what the acquisition might have added and how the decision to withdraw was reached. The board saw clear appeal in the depth of Warner Bros. Discovery's intellectual property and studio capability, but it did not view this as sufficient to match Paramount Skydance's higher offer and more shareholder-friendly package. Directors described management and the board as aligned and highly analytical in stepping away once the economics moved beyond Netflix's valuation parameters, while remaining confident in the company's organic growth runway and existing platform strengths.</p> <p>Outcome: We were reassured by the rigour of Netflix's board oversight and the discipline shown in withdrawing when valuation and deal terms moved beyond what it considered acceptable. This matters because it signals mature capital allocation and a governance culture willing to challenge attractive opportunities without compromising long-term returns. We will monitor how the competitive landscape evolves following Warner Bros. Discovery's eventual ownership outcome, and we will look to engage with Netflix to track its long-term strategy and continued ability to create shareholder value.</p>

Company	Engagement Report
	<p>Objective: Call with chief financial officer (CFO) Naveen Chopra to discuss age verification progress, structural growth indicators, and AI investment.</p> <p>Discussion: On age verification, Roblox paused age reporting this quarter. Around 45 per cent of daily active users (DAUs) were verified by end-January; engagement dipped with verification friction but has now recovered. Management confirmed self-reported ages are unreliable, but sees upside: clearer age data could help Roblox expand into older cohorts and improve matching/safety. Verified users appear to be among the most socially engaged and highest spending.</p> <p>Management remains cautious about declaring a structurally higher growth regime. To judge whether growth is structural, they focus on freshness (how many top games are recent releases) and concentration (how much spending and engagement sits in a small number of top titles). Freshness is trending well. Concentration has recently moved in a healthier direction, but engagement and spend over the past three quarters have been far more concentrated at the top than management would normally expect. As long as this persists, they don't believe they can credibly claim a structurally higher growth regime. Recent results remain heavily influenced by viral engagement in 2025, potentially creating difficult comparisons ahead. They expect ongoing work on search and discovery, plus the natural spinning of the content flywheel, to gradually normalise this distribution.</p> <p>For AI, most cost today sits in training Roblox's Cube 4D game generation model, with inference costs expected to grow as the tool scales. Management believes they will find efficiencies over time and does not expect inference to become a major marginal cost given they are running their own model in-house. If they continue to rely on their own foundation model, it will likely require further investment.</p> <p>Outcome: Age verification is progressing, though user-mix perception risk remains. Management is not calling a structural growth shift while engagement concentration remains abnormally high, reinforcing the possibility of near-term deceleration. On AI, management believe inference costs will remain manageable, but may need to scale further.</p>
	<p>Objective: We engaged with TSMC's investor relations team on sustainability to deepen our understanding of its evolving decarbonisation and water strategies, the external conditions it needs to meet its targets, and how long-term shareholders such as Baillie Gifford can best support its climate and broader sustainability ambitions.</p> <p>Discussion: Management emphasised that limited renewable energy availability and an immature carbon credit market in Taiwan remain key constraints but reiterated its expectation that absolute emissions will peak in 2025 as contracted renewables come online. We welcomed its collaborative work with suppliers on Scope 3 emissions - which we have corroborated through other sources - while also probing the slower-than-hoped energy efficiency gains in more advanced nodes and whether this signals a structural shift in cost and emissions trends rather than hard physical limits.</p> <p>The discussion also covered water stewardship and responsible sourcing. We probed on whether rising water consumption is compatible with TSMC's new long-term "Water Positive" goal and noted the importance of this for both risk management and operating costs. TSMC highlighted continued expansion of Alliance for Water Stewardship certifications and reliance on established industry frameworks for conflict-free minerals, rather than joining new initiatives. In response to our question on how investors can help, TSMC pointed to supportive policy advocacy, alongside long-term capital and considering its holistic impact.</p> <p>Outcome: This correspondence did not change our view that TSMC is appropriately focused on achieving ambitious sustainability targets. However, we do have an enhanced focus on execution risks around water use and energy efficiency in advanced manufacturing, given their implications for emissions trajectories and costs. We will closely monitor water intensity, process energy efficiency and the forthcoming science-based emissions targets expected in 2026.</p>

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