



Scottish Enterprise Pension and Life Assurance Scheme: Implementation Report

August 2025

Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (SIP)

The Scheme updated its SIP in to in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address [Statement Of Investment Principles | Scottish Enterprise \(sepensions.co.uk\)](https://www.sepensions.co.uk/Statement-Of-Investment-Principles)

Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Trustees have taken in relation to risk management and implementing the key policies in its SIP
- the approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustees have followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 March 2025 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

While this report focusses mainly on engagement with the Scheme's investment managers and, in turn, their engagement activity at the underlying portfolio level, the Trustees have engaged more widely in relation to ESG related topics over the period. Given the Sponsor's public facing role, a number of Freedom of Information (Fol) requests were received, which requested details on areas such as the Scheme's exposure to deforestation and defence / armaments investments. The Trustees addressed these requests comprehensively and to the apparent satisfaction of the enquirers.

Summary of key actions undertaken over the Scheme reporting year

- At the March 2024 Trustee meeting, the Trustees agreed to appoint Aegon as the new ABS manager. The Scheme completed its £28m investment in the Aegon European ABS Fund in May 2024. The investment was funded by a full disinvestment from the Baillie Gifford DGF (c.£19m) and excess cash in the Scheme bank account (c.£9m).
- With the 2023 Actuarial Valuation finalised in early 2024, the Trustees discussed potential evolution of the investment strategy over second half of 2024. It was agreed to proceed with a more risk focussed approach, which better manages funding risk through a more capital efficient LDI approach, builds out liquid credit assets to support the collateral framework and increases the allocation to infrastructure equity. As part of this, the Trustees engaged with the Sponsor in relation to alignment of ESG views, noting the Sponsor's significant ambitions in driving forward ESG integration. With the input of our advisers, these shared ambitions were considered when setting our investment strategy.
- The revised investment strategy was subsequently agreed at the September 2024 Trustee meeting. The implementation of the new investment strategy was still in progress as at 31 March 2025, and the agreed strategy is expected to be implemented over the remainder of 2025 / early 2026. Over the reporting period, the Trustees completed the following actions to implement the new investment strategy:
 - The initial phase of the liability hedge restructure was completed during November 2024. This involved disinvesting £40m from the BlackRock index-linked gilts allocation, which was invested in the BlackRock LDI Portfolio and was estimated to increase the liability hedge from c.60% to c.65% on the Technical Provisions basis.
 - The full disinvestment from the Baillie Gifford Positive Change Fund was completed in January 2025, with proceeds re-allocated to the BlackRock ESG global equity mandate.
 - At the March 2025 Trustee meeting, the Trustees agreed to appoint M&G as their new liquid multi-asset credit ('MAC') manager for a 5% allocation. This new mandate was funded over Q2 2025.
- At the June 2024 Trustee meeting, the Trustees agreed to reduce the Scheme's allocation to the BlackRock Long Lease Property Fund from approximately 8% to 5% of Scheme assets, with a partial redemption of £17m instructed in late June 2024. This decision was driven by Isio's research rating downgrade to "Partially Meets Criteria" and the departure of the lead portfolio manager for the Fund. The partial redemption aimed to retain the Scheme's exposure to high-quality assets while mitigating risks related to investor sentiment and fund viability. The redemption was completed on 31 December 2024, with proceeds settling in the Trustee Bank Account early-January.
- Following Isio's decision to downgrade the BlackRock Long Lease Property Fund to "Significantly Fails to Meet Criteria" in December 2024 due to an escalation of risks at BlackRock, the Trustees agreed with Isio's recommendation to terminate the Scheme's Long Lease Property mandate. The Trustees submitted the

redemption request at the December 2024 semi-annual trade date with proceeds to be paid from July 2025 onwards.

Implementation Statement

This report demonstrates that Scottish Enterprise Pension and Life Assurance Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed: **Julia Miller**
Position: **Chair of Trustees**
Date: **10 September 2025**

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 70% of these risks on a Technical Provisions liability basis. (Post reporting period, the Trustees' policy was amended to target 75% of liabilities on the Technical Provisions basis).	As part of the investment strategy changes agreed in September 2024, the policy was updated from hedging c.60% on the Technical Provisions basis (c.45% on a gilts flat basis) to hedging 70% on the Technical Provisions basis. Over the reporting period, the Trustees completed the initial phase of the liability hedge restructure which involved disinvesting c.£40m from the BlackRock index-linked gilts allocation to the BlackRock LDI mandate. This was estimated to increase the liability hedge to c.60% on the TPs basis to 65%). Post reporting period, the Trustees formally reviewed the liability hedge and agreed a higher 75% target. Trading to this target completed post reported period and this change in policy will be referenced in next year's report.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	The Trustees regularly monitor the collateral and liquidity position to reduce the impact of this risk via quarterly reporting provided by their investment consultant. Over the reporting period, the Trustees implemented a new allocation to asset backed securities (c.5% of Scheme assets) which provides daily liquidity and additional collateral resilience to the LDI portfolio.

			Amongst other changes, the new investment strategy agreed in September 2024 looks to build out liquid credit assets to support the collateral framework through increased allocations to short-duration credit (SDC) and asset backed securities (ABS) and the introduction of a new liquid MAC mandate.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	As noted in previous sections, the Trustees agreed a new risk-focussed investment strategy over the period with a higher liability hedging target (reducing unrewarded risks).
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	The Trustees implemented an allocation to ABS over the reporting period. The Trustees also agreed to introduce a new liquid multi-asset credit mandate with M&G.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustees monitor the managers on an ongoing basis.	The Trustees completed the Scheme's Annual Sustainability Integration Assessment in Q2 2024. The purpose of the assessment was to evaluate the investment managers' approach to integrating ESG factors and suggest actions for improvement. The Scheme's investment advisor Isio then communicates these proposed actions to the Scheme's investment managers on the Trustees' behalf.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.	No action or change over the reporting period.

Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No action or change over the reporting period.
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Changes to the SIP

There were no changes made to the SIP over the 12-month period to 31 March 2025. The Trustees are in the process of reviewing the Scheme's SIP and changes will be set out in next year's Implementation Statement covering the 12-month period to March 2026.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regarding to ESG as a financially material risk. This page details how the Scheme's ESG policy is implemented, while the following page outlines Isio's assessment criteria as well as the ESG beliefs used in evaluating the Scheme's managers' ESG policies and procedures. The rest of this statement details our view of the managers, our actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustees intend to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the Current ESG Policy

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments. • As part of ongoing monitoring, the Trustees will use any ESG ratings information provided by their investment consultant to assess how the Scheme's investment managers take accounts of ESG issues. • Through their investment consultant, the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis. • Through the manager selection process, ESG considerations will form part of the evaluation criteria.	• The manager has not acted in accordance with their policies and frameworks. • The manager has received a 'red' ESG rating from the investment consultant, signifying that its ESG approach is below satisfactory.

ESG summary and engagement with the investment managers

Manager, fund	ESG Summary	Actions identified	Engagement with manager commentary
Baillie Gifford Global Alpha Paris-Aligned	The Fund is a variation of the Baillie Gifford ("BG") Global Alpha strategy. The parent fund is adjusted in order to screen out carbon intensive companies from the portfolio. The Fund has a commitment to lowering carbon intensity and this is assessed by having a lower greenhouse gas intensity than the MSCI ACWI EU Paris Aligned Requirements Index. BG have strong firm-level policies and a dedicated ESG team covering research and stewardship activities. BG also have a strong firm-level approach to Stewardship and Collaboration. The Fund has dedicated ESG objectives and net zero targets.	BG could consider setting diversity targets as well as a defined ESG training syllabus. BG could look to increase proportion of firm assets covered by net zero commitments. BG should improve social and environmental engagement elements and the scope of coverage of emissions to include ITR and GHG emissions.	Isio engaged with Baillie Gifford on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the Baillie Gifford engagements.
BlackRock Global ESG Equity	BlackRock have set explicit stewardship priorities on which to engage with investee companies, overseen by a central team. They collaborate with initiatives on a broad range of ESG topics. The Fund is passively managed, and therefore BlackRock's scope for active ESG integration is limited. However, the underlying benchmark index excludes firms	BlackRock should introduce firm-level stewardship objectives and formal approach within the firmwide ESG policy. BlackRock should commit to a Net Zero firm-wide target, with meaningful interim targets. BlackRock's global business withdrew from the Climate Action 100+ initiative in early 2024, transferring its membership to its European arm. BlackRock should	Isio engaged with BlackRock on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements. Following BlackRock's change in Climate Action 100+ membership, the Trustees held a meeting with BlackRock in 2024 to understand and challenge this decision. The Trustees

	involved in several industries, including Tobacco, Thermal Coal and Controversial Weapons; while the index also uses an optimisation process to tilt towards firms with lower carbon exposure and higher ESG scores. While the Fund has climate targets, it has no social or nature targets and lacks quantitative ESG objectives.	reconsider this position, which reduces their ability to drive forward stewardship responsibilities on behalf of their clients.. BlackRock should consider extending the Fund's ESG policy to include net zero targets. BlackRock should report on stewardship and engagement actions and consider developing a model to assess climate scenario impacts.	expressed the view that the investment manager should reconsider its position and would monitor closely going forward.
BlackRock EM Equity	BlackRock have set explicit stewardship priorities on which to engage with investee companies, overseen by a central team. They collaborate with initiatives on a broad range of ESG topics. The underlying index does not have ESG objectives or exclusions. BlackRock provides engagement and voting data; however, this is not linked to specific fund stewardship priorities.	BlackRock should introduce firm-level stewardship objectives and formal approach within the firmwide ESG policy. BlackRock should commit to a Net Zero firm-wide target, with meaningful interim targets. BlackRock's global business withdrew from the Climate Action 100+ initiative in early 2024, transferring its membership to its European arm. BlackRock should reconsider this position, which reduces their ability to drive forward stewardship responsibilities on behalf of their clients. BlackRock should enhance metric reporting capacities across the mandate, in both broad ESG scoring and also specific climate, social and biodiversity metrics. BlackRock should include more detail on portfolio engagements and how these align with specific stewardship priorities.	Isio engaged with BlackRock on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements.
BlackRock Long Lease Property Fund	BlackRock have set explicit stewardship priorities on which to engage with investee companies, overseen by a central team. They also collaborate with initiatives and institutions on ESG risks.	BlackRock should introduce firm-level stewardship objectives and formal approach within the firmwide ESG policy. BlackRock should commit to a Net Zero firm-wide target, with meaningful	Isio engaged with BlackRock on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements.

	The Fund reports Scope 3 greenhouse gas emissions. Due to the nature of the asset class, the Fund has a limited level of control to implement some ESG practices.	interim targets. BlackRock's global business withdrew from the Climate Action 100+ initiative in early 2024, transferring its membership to its European arm. BlackRock should reconsider this position, which reduces their ability to drive forward stewardship responsibilities on behalf of their clients. BlackRock should provide evidence of detailed ESG metrics within their regular reporting cycle. BlackRock should implement quantifiable ESG targets and produce an ESG scorecard (in line with best practice).	
Manulife CQS	CQS has strong firm-level policies, (e.g. 2050 net zero commitment on >50% assets) and engagement with collaborative initiatives across industry topics. The Fund has quantifiable ESG objectives: lower WACI than a benchmark, a net-zero target and limiting exposure to low-scoring issuers. Regular reporting for the fund includes ESG and climate metrics.	CQS should introduce a formal ESG training program with defined priorities. CQS should consider greater centralisation of stewardship to ensure efforts are joined-up across fund teams and increase overall engagement with underlying issuers on ESG matters. CQS should develop ESG reporting further to cover social and nature metrics. CQS should also grow the coverage of reported / verified greenhouse gas emissions.	The investment consultant engaged with CQS on the Trustees' behalf to review their ESG policies, set actions and priorities. The investment consultant regularly reports back to the IC with updates on the CQS engagements.
Apollo Semi-Liquid Credit Fund	Apollo publish firm-level ESG and engagement policies. They have a well-resourced and dedicated sustainability team and platform. Additionally, high-level engagement priorities and escalation approaches are in place. The Fund has no direct ESG objectives, nor a formal exclusions list. However, a scorecard is used to apply their ESG risk	Apollo should publish a Net Zero commitment and agree interim targets as well as diversity & inclusion targets. Apollo could also consider further collaborative initiatives including NZAMI, CA 100+, and UK Stewardship Code. Apollo should develop ESG objectives for the fund, including formalising an exclusions policy.	The investment consultant engaged with Apollo on the Trustees' behalf to review their ESG policies and set actions and priorities. The investment consultant regularly reports back to the Scheme's IC with updates on Apollo engagements.

	framework consistently and a detailed quarterly ESG report is produced for the fund.	Apollo should increase engagement coverage and GHG emissions data coverage for TCFD reporting.	
Partners Group - Direct Lending (PMCS 2018)	Partners Group ("PG") have a well-resourced central SI team and a structured training program. They also have a strong net zero commitments, including pathway to net zero by 2030 on all corporate activities and 2050 across all portfolios. At a fund level, Partners Group maintain a robust investment approach aligned with industry recognised guidance, e.g. UNGC principles. An ESG scorecard is used during initial due diligence to assess each asset's ESG risk.	PG should implement firm-level ESG objectives with a quantifiable target to enhance ESG policy. PG should establish nature and biodiversity-related stewardship priorities. PG should become a signatory to the Net Zero Asset Manager's Initiative (NZAMI). PG should begin regular reporting on fund-level temperature pathway alignment and emissions data. PG should engage with a significant number of the underlying issuers and improve the reporting of these engagements.	Isio engaged with Partners Group on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the Partners Group engagements.
Aegon Asset Backed Securities	Aegon have net zero and interim targets and are signatories to many ESG initiatives. Aegon have a self-standing RI team, a firm level ESG policy and track all engagements centrally. The Fund integrates ESG using a scorecard approach to exclude issuers below specified limits.	Aegon should evidence engagement against stewardship priorities. Aegon should integrate RI members within portfolio management/asset class teams and provide some level of mandatory firmwide ESG training. Aegon should improve reporting on greenhouse gas emissions. Aegon should model how various climate scenarios may affect fund value, and develop Climate and Social objectives for the Fund.	Isio engaged with Aegon on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the Aegon engagements.

BlackRock Infrastructure Equity Fund	BlackRock have set explicit stewardship priorities on which to engage with investee companies, overseen by a central team. They also collaborate with initiatives and institutions on ESG risks. The Global Renewable Power Fund III (GRP III) is an article 9 Fund under SFDR with clear ESG objectives. The Fund invests to be aligned to various UN SDG goals and provides annual ESG reporting against these objectives.	BlackRock should introduce firm-level stewardship objectives and formal approach within the firmwide ESG policy. BlackRock should commit to a Net Zero firm-wide target, with meaningful interim targets. BlackRock's global business withdrew from the Climate Action 100+ initiative in early 2024, transferring its membership to its European arm. BlackRock should reconsider this position, which reduces their ability to drive forward stewardship responsibilities on behalf of their clients. BlackRock should provide fund level case studies of how ESG risks are captured during the due diligence process. BlackRock should demonstrate clear examples / case studies of fund level engagements with outcomes that support ESG risk mitigation.	Isio engaged with BlackRock on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements. Following some portfolio write downs incurred over the period, the Trustees have actively engaged with BlackRock in relation to the portfolio impacts, the investment managers' fiduciary responsibilities and its plan to recover value. This will monitored closely going forward.
Patrizia Infrastructure Debt Fund	Patrizia have strong firm-level policies, (e.g. net zero commitment by 2040). They also have a strong focus on sustainable investment knowledge implemented through a robust training program across the firm. Reporting for the Fund covering climate risk mitigation/opportunities and ESG metrics is provided annually. Ongoing monitoring processes are supported by ESG scores and assessments of each asset.	Patrizia should implement a central process to oversee engagements and review objectives. Patrizia should increase collaboration by working with academic institutions to improve research and risk management frameworks. Patrizia could provide examples and evidence of engagement initiatives which have been carried out to mitigate ESG-related risks for assets.	Isio engaged with Patrizia on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the Patrizia engagements.

IFM Global Infrastructure	IFM has a firm-wide Net Zero Commitment with interim targets. The firm has a dedicated ESG team for various strategies, and a stewardship team which covers climate, social, and biodiversity. Sustainable investment factors are incorporated into the due diligence on new investments. IFM ensures each asset has a net zero transition and an emissions reduction pathway in place.	IFM should set up a stewardship policy with climate and social factors as explicit priorities. IFM should set up a stewardship policy with climate and social factors as explicit priorities. IFM should obtain a UNPRI score across Strategy & Governance and Infrastructure Equity. IFM should review its ESG scorecard on an annual basis. IFM should provide social and nature-based metrics as part of regular reporting	Isio engaged with Isio on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the IFM engagement.
BlackRock LDI Portfolio and Index-Linked Gilts ("ILGs")	BlackRock have set explicit stewardship priorities on which to engage with investee companies, overseen by a central team. They also collaborate with initiatives and institutions on ESG risks. LDI and ILGs funds have no specific ESG objectives. They have a proprietary green bond taxonomy framework and rate green gilts within this. ESG reporting is limited due to quantity of data available.	BlackRock should introduce firm-level stewardship objectives and formal approach within the firmwide ESG policy. BlackRock should commit to a Net Zero firm-wide target, with meaningful interim targets. BlackRock's global business withdrew from the Climate Action 100+ initiative in early 2024, transferring its membership to its European arm. BlackRock should reconsider this position, which reduces their ability to drive forward stewardship responsibilities on behalf of their clients. BlackRock should provide evidence of engagement with counterparties and provide counterparty ESG scores and/or metrics.	Isio engaged with BlackRock on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements.
BlackRock Sustainable Short Duration Credit ("SDC")	BlackRock have set explicit stewardship priorities on which to engage with investee companies, overseen by a central team. They also collaborate with initiatives and institutions on ESG risks. BlackRock's SDC Fund has a primary ESG objective relating to a 20% reduction in emissions relative to	BlackRock should introduce firm-level stewardship objectives and formal approach within the firmwide ESG policy. BlackRock should commit to a Net Zero firm-wide target, with meaningful interim targets. BlackRock's global business withdrew from the Climate Action 100+ initiative in early 2024,	Isio engaged with BlackRock on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements.

	the ICE BAML 1-5 Year Global Corporate Index. The Fund demonstrates strong integration of ESG factors through these quantifiable climate objectives.	transferring its membership to its European arm. BlackRock should reconsider this position, which reduces their ability to drive forward stewardship responsibilities on behalf of their clients. BlackRock should enhance stewardship through active and direct engagement with corporates on key ESG issues. BlackRock should increase the frequency of reporting of ESG / climate metrics from ad-hoc to quarterly.	
BlackRock Liquidity Fund	BlackRock have set explicit stewardship priorities on which to engage with investee companies, overseen by a central team. They also collaborate with initiatives and institutions on ESG risks. BlackRock are limited in their integration of ESG factors for the Fund due to the asset class involved.	BlackRock should commit to a Net Zero firm-wide target, with meaningful interim targets. BlackRock's global business withdrew from the Climate Action 100+ initiative in early 2024, transferring its membership to its European arm. BlackRock should reconsider this position, which reduces their ability to drive forward stewardship responsibilities on behalf of their clients. BlackRock should enhance stewardship through active and direct engagement with corporates on key ESG issues. BlackRock should implement specific ESG objectives for the Fund and update the Fund's ESG scorecard annually (in line with best practice). BlackRock should develop an approach for climate modelling and estimating implied temperature in reporting.	Isio engaged with BlackRock on the Trustees' behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements.
Pantheon Private Equity	The Scheme has a small allocation to a historic Private Equity Fund of Funds with Pantheon. No engagement has taken place with this manager on ESG issues.		

Engagement

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 31 March 2025.

Fund name	Engagement summary	Commentary
Baillie Gifford Global Alpha Paris-Aligned	Total engagements: 101 Environmental: 32 Social: 24 Governance: 143 Other: 83	Baillie Gifford contacted numerous companies where they engaged on a diverse variety of subjects. Amazon.com: Baillie Gifford engaged with Amazon on a variety of topics including their employee engagement, supply chain transparency, AI governance, and decarbonisation. BG were satisfied that the company was able to provide data-backed responses to defend challenges raised. For example, the company have reduced recorded injury rates to substantially below industry average through their efforts to improve working conditions, highlighting initiatives such as introducing software tool 'Dragonfly' to record employee safety-related feedback. Going forward, given the scale and complexity of the company's operations, BG will continue to engage with the company on their continued sustainability challenges.

BlackRock Global ESG Equity	Total engagements: 527 Governance: 506 Social: 213 Environmental: 209 One engagement can comprise of more than one topic across each company.	The BlackRock Investment Stewardship Team (BIS) carry out all voting and engagement activities. The BIS engage across all funds at an issuer level thereby leveraging all the capital at their disposal to maximise engagement effectiveness. Shell plc: BlackRock Investment Stewardship (BIS) engaged with Shell on their Energy Transition Strategy. BIS were supportive of the strategy as they believe that Shell continues to provide a clear assessment of its plans to manage material climate-related risks and opportunities, whilst also demonstrating progress against its stated energy transition targets. For example, the BIS team assessed that Shell remains on track to meet its goal of reducing its scope 1 and 2 emissions under its operational control by 50% by 2030 compared to 2016.
BlackRock EM Equity	Total engagements: 255 Governance: 243 Social: 73 Environmental: 130 One engagement can comprise of more than one topic across each company.	The BlackRock Investment Stewardship Team (BIS) carry out all voting and engagement activities. The BIS engage across all funds at an issuer level thereby leveraging all the capital at their disposal (for example across equity and credit) to maximise engagement effectiveness. CSPC Pharmaceutical Group Limited (CSPC): BlackRock Investment Stewardship (BIS) engaged with CSPC on board quality and effectiveness. The company proposed to re-elect CSPC's Chairman as an executive director and the BIS team assessed that this may not support effective board oversight given the Chairman's existing positions as a controlling shareholder and leader of the nominating Committee. BIS provided the view that independent leadership of the nominating committee helps to protect shareholders' interests by

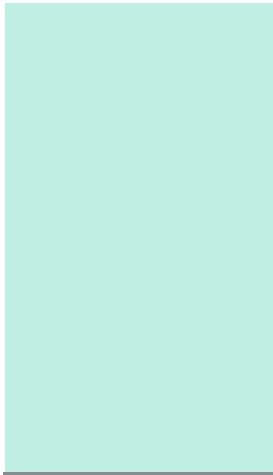
		presenting over-concentration of power in a single director.
BlackRock Long Lease Property Fund	BlackRock currently do not provide details of their engagement activities for this investment due to the nature of the Funds. Isio will work with BlackRock on behalf of the Scheme to develop BlackRock's engagement reporting going forward.	As with the equity mandates, BlackRock's ESG related engagement is led by the BIS team. BlackRock lease on full repairing and insuring ("FRI") terms, which means that whilst a tenant is in a property BlackRock has limited control over that property. BlackRock does recognise the importance of engaging with tenants and other stakeholders to gain insight into their ESG practices and key performance indicators. Engagement activity varies from asset to asset, but often includes a combination of campaigns, activities and events to address sustainable best practice, particularly in relation to energy and resource efficiency, which is a key priority area for BlackRock and the wider industry.
BlackRock Global Renewable Power III	BlackRock currently do not provide a breakdown of their engagement activities for this investment due to the nature of the Fund. Isio will work with BlackRock on behalf of the Scheme to develop BlackRock's engagement reporting going forward.	BlackRock actively engages with underlying assets on ESG issues to enhance risk mitigation within the mandate. BlackRock have explicit stewardship priorities from a firm-level perspective and use a central team to drive engagements. However, this is done without fund-specific KPIs or milestones. BlackRock have been unable to provide case studies of any engagements for the Fund.
Aegon Asset Backed Securities	Total Engagements: 109 Environmental: 25 Social: 2 Governance: 38 Other: 44	Before investing in an ABS transaction, the investment team will engage with the relevant parties including the seller, sponsor, originator and other transaction parties via a sector-specific questionnaire. Aegon will monitor these engagements against set milestones and undertake further investments where necessary. Various RMBS and consumer ABS issuers: Aegon engaged

		with RMBS and consumer ABS originators to advocate for financial products that support environmental sustainability, for example, offering favourable interest rates for residential mortgages for the financing or improvement of energy-efficient properties. They provided issuers with an ESG questionnaire and held multiple meetings to discuss responses, Aegon's ESG goals and feedback on areas for ESG improvements. Aegon received positive feedback from originators on this engagement and are pleased to have seen the number of originators offering ESG-friendly mortgage products grow substantially over the year.
Manulife CQS MAC	Total engagements: 78	CQS engages with corporate issuers, banks to who they provide regulatory capital relief, CLO managers, regulators and service providers. Key engagement priorities include governance, climate risk management and people factors. An example of a high-level engagement includes: Italian spirits, wines and non-alcoholic branded beverage company : CQS initiated engagement in order to seek a water risk assessment for the company's supply chain and commitment to the CDP Water Questionnaire to enhance transparency. After engagement and encouragement from CQS, the company confirmed that they have answered the 2024 CDP Water Questionnaire. The company's Environmental Policy has also been revised and updated to address areas such as water usage intensity, wastewater discharge and management of waste.

Apollo Semi-Liquid Credit	Total Engagements: 253 Environmental: 243 Social: 245 Governance: 245 One engagement can comprise of more than one topic across each company.	Apollo has set engagement policies at the firm-level, including high-level engagement priorities and an escalation approach. As bond investors, Apollo's voting rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors. Engagement coverage for the fund has been relatively low in recent years, but Apollo can demonstrate examples of engagement with issuers. An example of engagement includes: Clean Harbors Inc – Apollo engaged with Clean Harbors (CH) regarding their progress and challenges in reducing greenhouse gas emissions. Through this engagement, Apollo learned of CH's successes in optimising routing and fleet activities, extending the life of heavy-duty vehicles through refurbishment, and constructing new plants that meet air quality standards. However, as the company grows, they face challenges of increased waste and emissions intensity. CH are working with their customers to reduce Scope 3 emissions and plan to invest in technology to improve reporting.
Partners Group - Direct Lending (PMCS 2018)	During the reporting period, the Fund did not undertake any ESG-related engagements, which is consistent with its current phase of winding down operations.	Partners Group maintain ongoing contact with the management teams of their portfolio companies, however, given their position as debt lenders they will typically rely on the equity sponsor to report ESG-related concerns and drive ESG improvements. Investing in private companies also reduces the transparency of the information available to assess ESG risks. Partners Group were unable to provide fund-level engagement examples.

Patrizia Infrastructure Debt	Total Engagements (Corporate): 28 Governance: 1 Social: 2 Environmental: 9 Other: 16	Patrizia engage with investee companies on ESG issues as part of their regular monitoring and pre-investment due diligence, the outcome may impact investing decisions. Engagement takes place on a yearly basis to collect ESG linked KPIs which thereafter feed into the Fund's Climate Change Reporting and Sustainability Reporting. Yorkshire Water: Patrizia engaged with Yorkshire Water on a variety of ESG topics including climate change, pollution, sustainability reporting and data. This engagement involved numerous calls throughout the year with the company's management, credit rating agencies, and stakeholders to provide visibility on ESG risks, and Patrizia also sought details on investments made to improve performance against ESG KPIs. From this engagement, Patrizia have expressed comfort with the ESG data and actions taken by the company. They will continue to engage with the company on a regular basis to track investment progress and ensure KPI satisfaction.
IFM Global Infrastructure	IFM currently do not provide details of their engagement activities due to the nature of the fund. Isio will work with IFM on the development of the firm's engagement reporting	IFM engage through board representation in both their private equity and public market portfolio holdings. IFM will only invest in companies which have appropriate governance structures in place. IFM bring together key executives of their portfolio companies to help spread good ESG practice and objectives across the portfolio. Mersin International Port - IFM continues to support Mersin International Port on the delivery of its Safety Remedial Actions as well as with the set-up of its longer-term Safety Culture Transformation Programme. In 2024, Mersin International Port continued to improve its safety culture, as evidenced by a further

		decrease in lost time injury frequency ("LTIF") rate by 19%.
BlackRock LDI, Index-Linked Gilts and Liquidity Funds	BlackRock currently do not provide details of their engagement activities due to the nature of the funds. Isio will work with BlackRock on the development of the firm's engagement reporting.	BlackRock integrates ESG considerations into their counterparty selection process and engages with derivative counterparties on governance issues. BlackRock continues to be an active participant and leader in the evolution of the green bond market. They have a proprietary green bond taxonomy framework and rate green gilts within this. BlackRock currently do not collect engagement data for the LDI fund.
BlackRock Sustainable Short Duration Credit ("SDC") Fund	Total Engagements: 98 Environmental: 38 Social: 29 Governance: 90 One engagement can comprise of more than one topic across each company.	BlackRock have explicit stewardship priorities from a firm-level perspective and use a central team to drive engagements. However, this is done without fund-specific KPIs or milestones. BlackRock have been unable to provide case studies of any engagements for the Fund.
Pantheon Private Equity	Pantheon has been unable to provide specific examples of engagements given the Fund of Funds approach. An extract has been provided which outlines their engagement policy.	<i>"Pantheon's active ownership is exhibited through comprehensive manager due diligence and monitoring, the core service it provides to its investors. Where there are concerns around the strategic direction or governance of a fund, Pantheon will typically work in concert with other investors, often as a member of the Limited Partner Advisory Committee for that fund, in order to bring influence to bear on the manager. In contrast with the listed markets, Private Equity firms typically manage closed end funds with a pre-defined end date and are required to raise new capital through a new fund raising every three to five years, usually raising a significant proportion of new capital from existing investors. Whilst LPs are not able to be involved in the management of the fund, this feature of the private equity market means we have a very</i>



important role to play in monitoring and engaging with its managers. Interactions with our underlying managers is frequent and will take place at least two to three times a year, and more often in many cases. In addition, we will also review the statutory reporting materials the manager is required to send to us, which will contain information on the performance of the fund and its underlying companies."

Voting (for equity/multi asset funds only)

As the Scheme invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2025. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
Baillie Gifford Global Alpha Paris Aligned	Votable Proposals: 1,215 Proposals Voted: 98.5% For votes: 93.6% Against votes: 6.0% Abstain votes: 0.4%	Microsoft Corporation: Baillie Gifford voted against ratification of the auditor because of the length of tenure (40+ years) as they believe it is best practice for the auditor to be rotated regularly. The outcome of the vote was successful however Baillie Gifford have explained their rationale for opposing this to the company, who have responded by outlining the policies they have in place for an independent and quality audit.	Whilst Baillie Gifford makes use of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource stewardship activities or rely upon their recommendations. All client voting decisions are made in-house.
BlackRock Global ESG Equity	Votable Proposals: 6,679 Proposals Voted: 92.0% For votes: 83.5% Against votes: 8.0% Abstain votes: 0.2% *Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.	Adidas AG: On 16 May 2024, BlackRock voted against the approval of the Remuneration Report and against the re-appointment of several compensation committee members. BlackRock's rationale was that remuneration arrangements were poorly structured, performance hurdles were not sufficiently challenging, and disclosures did not provide an adequate understanding of the company's remuneration policies and the link between performance-based pay and company performance. In some cases, these votes were made against management.	BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holding directors accountable and supporting shareholder proposals. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.

BlackRock EM Equity	Votable Proposals: 22,277 Proposals Voted: 98.9% For votes: 84.0%* Against votes: 11.0%* Abstain votes: 3.7%* *Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.	Accton Technology Corp: On 13 June 2024, BlackRock voted against the election of a director due to concerns over gender-related diversity at the board level. BlackRock believe greater gender board diversity may lead to better risk management and identification of business opportunities, leading to better financial outcomes for shareholders.	BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holding directors accountable and supporting shareholder proposals. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.
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