Scottish Enterprise Pension And Life Assurance Scheme

Annual Report and Financial Statements for Year Ended 31 March 2024

Pension Scheme Registration: 10267679

Contents

Section 1 – Trustees and their Advisers

The Trustees

The Trustees of the Scottish Enterprise Pension And Life Assurance Scheme ("the Scheme") are set out below:

Name	Title	Date appointed or reappointed	Date resigned (if applicable)
Alistair Gray	Independent Trustee Chair of Trustees	13/09/2018	12/09/2024
Julia Miller	Independent Trustee Chair of Trustees	11/09/2024	-
Derek Ballantyne**	Senior Property Manager Scottish Enterprise	27/05/2011	-
Linda Ellison*	Pensioner	09/12/2020	12/09/2024
Clair Alexander**	Head of Financial Accounting Scottish Enterprise	09/09/2020	-
Laura Birch**	Commercial Team Leader Scottish Enterprise	27/06/2024	-
Derek Shaw**	Director, Scaling Innovation Scottish Enterprise	09/09/2020	28/06/2024
Catherine Mary Corr*	Principal Solicitor Scottish Enterprise	09/12/2020	-
Ross McKie*	Deferred member	09/12/2020	-
Leah Pape**	Head of Growth Services Scottish Enterprise	25/03/2021	-
Anne Featherstone-Smith*	Investment Specialist Scottish Enterprise	10/06/2021	12/09/2024
Aileen Hotchkiss**	Head of Business Support Partnership Scottish Enterprise	09/12/2021	-
Brenda Margaret Rankin*	Deferred Member	11/09/2024	-
David Walton*	Pensioner	11/09/2024	-

* Member Nominated Trustees

**Company Appointed Trustees

Section 1 - Trustees and their Advisers (continued)

Advisers

The advisers to the Trustees are set out below:

Actuary	Calum Cooper, F.F.A. (to 7 May 2024) Kerry McClymont F.F.A. (from 7 May 2024) Hymans Robertson LLP
Scheme Administrator	Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB Email: SCENAdmin@hymans.co.uk
Independent Auditor	Johnston Carmichael LLP
Banker	Bank of Scotland plc
Investment Adviser	Isio Group Limited
Insurer (for Group Life Assurance)	MetLife
Investment Managers	Aegon Asset Management (from May 2024) Apollo Capital Management L.P. Baillie Gifford & Co BlackRock Investment Management (UK) Limited CQS (UK) LLP IFM Investors Pantheon Ventures Limited Partners Group (Luxembourg) S.A. Patrizia Infrastructure Ltd
Legal Adviser	Burness Paull LLP
Pensions Consultants	Hymans Robertson LLP (reappointed from 1 April 2024)
Pension Scheme Registration	10267679
Pension Scheme Tax Reference	00329720RY

Section 2 – Trustees' Report

The Trustees of the Scottish Enterprise Pension And Life Assurance Scheme are pleased to present their report together with the financial and actuarial statements of the Scheme for the year ended 31 March 2024. The purpose of the report is to describe how the Scheme and its investments have been managed during the year.

Management of the Scheme

Financial Development of the Scheme

The financial statements have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995.

The fund account shows that the net assets of the Scheme decreased from £570,880,980 at 31 March 2023 to £562,648,713 at 31 March 2024. The decrease in net assets is accounted for by:

	2024 £	2023 £
Contributions and other income	14,720,101	13,679,401
Benefits and other payments	(26,450,099)	(24,123,191)
Net withdrawals from dealings with members	**(11,729,998)**	**(10,443,790)**
Net returns on investments	3,497,731	(326,260,733)
Net decrease in Scheme during the year	**(8,232,267)**	**(336,704,523)**
Net assets at start of year	570,880,980	907,585,503
Net assets at end of year	**562,648,713**	**570,880,980**

Legal Status

The Scheme is governed by a revised Definitive Trust Deed and Rules, dated 21 April 2022, as amended from time to time.

The Scheme is a final salary pension scheme whereby benefits are payable to members in accordance with the Scheme Rules based on length of service and their salary prior to retirement.

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004. All members of the Scheme were formerly contracted-out of The State Second Pension ("S2P"), with the Scheme formerly being contracted-out on a salary-related basis before the abolition of contracting-out which took effect on 6 April 2016.

The Scheme is a defined benefit scheme and its registered office is included on page 2.

Trustees

Trustees are appointed and removed by Scottish Enterprise in accordance with Sections 241-243 of the Pensions Act 2004. The Pensions Act 2004 requires that at least one-third of the Trustees should be nominated by the members of the Scheme. The Scheme continues to meet this requirement.

Section 2 – Trustees' Report (continued)

Auto Enrolment

Scottish Enterprise's staging date for auto enrolment ("AE") was 1 October 2013, however Scottish Enterprise postponed AE until 14 October 2013 to align with their payroll. The Trustees have amended the Scheme Rules to allow for the auto enrolment regulations, for example to auto enrol/re-enrol eligible jobholders who are not members of the Scheme and allow jobholders to opt-in/opt-out of the Scheme. The next re-enrolment date is 14 October 2025.

Schedule of Contributions

Following the actuarial valuation on 31 March 2023, a Schedule of Contributions was agreed and certified by the Scheme Actuary on 28 March 2024.

Members' contributions including additional voluntary contributions ("AVCs") must be paid to the Scheme within 19 days of the end of the month in which they were deducted from pay.

Going Concern

The Trustees monitor the Scheme's assets and funding level regularly and will continue to do so with input from their professional advisers. The Trustees have confirmed with the Scheme Administrator that they have a business continuity plan that is tested at regular intervals and updated periodically. The Trustees continue to monitor the operational impact of developments and have no significant concerns regarding the Scheme's ongoing ability to fulfil their operational, cashflow or benefit payment requirements.

Having given due consideration to the above and having discussed this with the Employer, the Trustees consider that the Scheme remains a going concern for the next twelve months starting from the date which this set of Trustee Report and Accounts have been signed.

Change of Actuary

Post year-end, C Cooper F.F.A. resigned as the Scheme Actuary on 7 May 2024 and K McClymont F.F.A. was formally appointed by the Trustee as his replacement. During his resignation, C Cooper confirmed that he was not aware of any circumstances connected with his resignation which, in his opinion, affected the interest of members, prospective members or beneficiaries. Hymans Robertson LLP continued to provide Actuarial services during this process.

Section 2 – Trustees' Report (continued)

Pension Increases

As outlined in the Scheme Rules, increases to pensions in payment and preserved pensions have been made in accordance with the Pensions (Increase) Act 1971 and Orders made under the Social Security Pensions Act 1975. On 1 April 2023; no increases were applied to Pre 88 Guaranteed Minimum Pension ("GMP")* and Post 88 GMP and all excess benefits were increased by 10.1%.

*Members with a State Pension Age ("SPA") beyond 6 April 2016 received a 10.1% increase on Pre 88 GMP.

There were no discretionary increases to pensions in payment or to preserved pensions during the year (2023: none).

Transfer Values

All transfer values paid, and benefits secured by transfer values received during the year were calculated and verified as required under Section 97 of the Pension Schemes Act 1993. Transfer values paid represented the full value of members' Scheme benefits. There were no transfers paid at less than the cash equivalent. No allowance is made for any discretionary benefits when assessing transfer values.

The Scheme received no transfers from other pension schemes for the year to 31 March 2024 (2023: nil).

Guaranteed Minimum Pension

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The Trustees of the Scheme are aware that the issue will affect the Scheme.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

For the actuarial valuation as at 31 March 2023, the Trustees have included a 1% loading to the Scheme's technical provisions to account for GMP equalisation and this is considered immaterial.

In November 2020 a further High Court judgement was made in respect of GMP equalisation and historic transfer values. The judge ruled that historic transfer values would fall under the scope of GMP equalisation and that trustees of pensions schemes remain liable to members where transfer value payments reflected unequalised GMP benefits. The Trustees of the Scheme are aware of the issue and will consider this as part of the wider GMP equalisation project. The impact is expected to be immaterial so no allowance is included.

Section 2 – Trustees' Report (continued)

Actuarial Position

The latest actuarial valuation of the Scheme was carried out at 31 March 2023, under the Scheme Specific Funding Regime. The latest certificate from the Scheme Actuary is shown on page 46 of this report. The Scheme Actuary certified, on 28 March 2024, that the calculation of the Scheme's technical provisions as at 31 March 2023 were made in accordance with regulations under section 222 of the Pensions Act 2004. The table below provides a summary of the actuarial position since this valuation.

	31 March 2023	31 March 2024
	£ million	£ million
The Statutory Funding Objective (SFO) in relation to the liabilities:	570.8	573.9
Valuation of the assets:	570.9	562.6
Surplus/(deficit) relative to the SFO:	0.1	(11.3)
Funding level:	100%	98%

The actuarial valuation as at 31 March 2023 showed the Scheme to have a small surplus. As part of the valuation, the Company and the Trustees agreed a contribution rate of 26% of monthly pensionable salary roll from 1 April 2024 until 31 March 2026. It was agreed that contributions from 1 April 2026 would be determined and based on an annual test carried out in advance of the 1 April application date.

Scottish Enterprise pay a 6% contribution directly to the Scheme on the behalf of the members through pension salary exchange. This is included in the employer contribution rate aforementioned.

The Trustees receive regular updates on the funding position from the Scheme Actuary. These funding updates are approximate in nature; however, they give a good indication of the progression of the Scheme's funding position. These updates indicate that the funding has fluctuated since the valuation date and as at 31 March 2024, the Scheme Actuary estimated the funding position of the Scheme to be around 97%.

Over the year, the assets of the Scheme have decreased as a result of benefits paid out of the Scheme, coupled with lower than expected returns on the Scheme's assets. Furthermore, in order to better measure the liabilities, the Trustees moved to an asset-led discount rate as part of the recent valuation. As the expected return on the Scheme's assets is now lower than it was at 31 March 2023, the liabilities have increased. This has led to a decrease in the funding level.

In accordance with the Pensions Act 2004, monitoring of the funding position will be carried out on a regular basis with an actuarial report being produced at least annually for the Trustees. Additionally, members will be provided with an annual Summary Funding Statement which highlights the funding position of the Scheme at the last formal valuation date and the estimated position at the date of the Trustees' annual monitoring report. The latest version of these statements were uploaded to the Scheme website in December 2023 and posted to deferred and pensioner members of the Scheme in January 2024.

Members may request a copy of the valuation report from the Scheme Administrator (contact details are provided on page 2).

Section 2 – Trustees' Report (continued)

Actuarial Assumptions

Retail Price Index ("RPI") increases	Market implied RPI curve
Consumer Price Index ("CPI") increases	RPI less 1.0% p.a. pre 2030 and RPI less 0% p.a. post 2030
Pension increases	Limited Price Index ("LPI") Pension Increases curves derived from RPI, adjusted for the impact of the cap and floor
Salary increases	CPI curve less 4.0% p.a. for the first year and then plus 1.0% p.a. thereafter, plus promotional scale
Pre-retirement discount rate	Prudent discount rate set to equal 60% chance of success (this is a stochastic asset led discount rate that translates to gilts + 1.85% p.a. as at 31 March 2023), adjusted to allow for known asset returns between 31 March 2023 and 31 May 2023. This is recalibrated on a quarterly basis to allow for the prevailing asset and contribution strategy.
Post retirement discount rate	Prudent discount rate set to equal 60% chance of success (this is a stochastic asset led discount rate that translates to gilts + 1.85% p.a. as at 31 March 2023), adjusted to allow for known asset returns between 31 March 2023 and 31 May 2023. This is recalibrated on a quarterly basis to allow for the prevailing asset and contribution strategy.
Longevity base tables	2022 VITA tables
Longevity future improvements	Continuous Mortality Investigation ("CMI") 2022 model calibrated to Club VITA experience with an adjustment to initial rates of improvement to reflect recent experience relative to the demographics of the Scheme (i.e. using the "A" parameter 0.5% for males and 0.25% for females). Long term rate of improvement of 1.5% p.a., a 0% weighting to 2020 and 2021 data and a 25% weighting to 2022 data (the "W" parameter).
Pre-retirement mortality	120% of the PNXA00 standard tables
GMP equalisation	1% loading added to liabilities

Section 2 – Trustees' Report (continued)

Scheme Membership

The reconciliation of the Scheme membership during the year ended 31 March 2024 is shown below:

Pensioner Members (including Spouses and Dependants)		
As at 1 April 2023		**1,624**
Plus:	Retirements – from active	38
	Retirements – from preserved	39
	New spouses and dependants	11
Less:	Deaths	(35)
	Child pension ceased	(1)
	Full commutation	(1)
Pensioner Members as at 31 March 2024		**1,675**

Members With Preserved Benefits		
As at 1 April 2023		**995**
Plus:	Employees leaving with deferred pensions	26
Less:	Retirements	(39)
	Transfers out	(2)
	Deaths	(3)
	Reinstated member	(1)
Members with Preserved Benefits as at 31 March 2024		**976**

Active Members		
As at 1 April 2023		**1,056**
Plus:	New joiners	55
Less:	Retirements	(38)
	Leavers with deferred pension entitlements	(26)
	Leaver options	(4)
	Transfer out	(1)
	Deaths	(2)
	Serious ill health commutation	(1)
Active Members as at 31 March 2024*		**1,039**

*Included in the above active members, are 44 members who have taken partial retirement at 31 March 2024 (2023: 43 members).

Section 2 – Trustees' Report (continued)

Scottish Enterprise Pension And Life Assurance Scheme Report on Taskforce on Climate-related Financial Disclosures

The Trustees acknowledge that climate risk poses a threat to the long-term sustainability of the Scheme. Failure to effectively transition to a low-carbon economy will create social, environmental and economic disruption. It is essential that climate risk is a fundamental consideration in the Scheme's long-term strategy and scheme management. The Trustees have stated a clear intent to contribute to responsible investment through meaningful change within the investment strategy.

The Taskforce on Climate-related Financial Disclosures was commissioned in 2015 by Mark Carney in his remit as Chair of the Financial Stability Board and with the support of the G20. The Taskforce was asked to develop voluntary, consistent climate-related financial disclosures that would be useful in understanding material climate-related risks. The Taskforce's report establishes recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change. Their widespread adoption will ensure that the effects of climate change become routinely considered in business and investment decisions. Adoption of these recommendations will also help better demonstrate responsibility and foresight in their consideration of climate issues, leading to smarter, more efficient allocation of capital, and helping to smooth the transition to a more sustainable, low carbon economy.

In response to this, the Trustees have completed a gap analysis against the recommended disclosures of the Taskforce on Climate-related Financial Disclosures and produced a report outlining how the Scheme is performing against these disclosures, the most recent report was prepared for the year ended 31 March 2023 and has been published at the following address: https://sepensions.co.uk/scheme-documents/.

Section 2 – Trustees' Report (continued)

Investment Report

Investment Managers

The assets of the Scheme are held in trust by the Trustees for the benefit of members and the responsibility for investment of the Scheme's assets is vested in the Trustees.

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants on a defined benefit basis.

The Trustees' policy is to delegate day to day management of the assets to the Scheme's investment managers appointed by the Trustees for this purpose. The Trustees have appointed Aegon Asset Management (from May 2024) ("Aegon"), Apollo Capital Management L.P. ("Apollo"), Baillie Gifford & Co ("Baillie Gifford"), BlackRock Investment Management (UK) Limited ("BlackRock"), CQS (UK) LLP ("CQS"), IFM Investors ("IFM"), Pantheon Ventures Limited ("Pantheon"), Partners Group (Luxembourg) S.A. ("Partners Group") and Patrizia Infrastructure Ltd ("Patrizia") to manage the Scheme's assets.

Investment Strategy and Review

The Trustees take a holistic approach to considering and managing risks when formulating the Scheme's investment strategy.

The Scheme's investment strategy was derived following careful consideration of various factors. The considerations include the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring employer's covenant. The Trustees considered the merits of a range of asset classes.

The Trustees recognise that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities at least annually. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The assets of the Scheme consist of investments which are traded on regulated markets.

Investment Target

The Trustees have set performance objectives for each of their investment managers. In aggregate, the performance objectives take account of the liability profile of the Scheme and the level of risk that the Trustees believe is appropriate.

Section 2 – Trustees' Report (continued)

Investment report (continued)

Investment Allocation

	Pooled Investment Vehicles (£)	%
Return Seeking Assets:	**295,239,455**	**54.9**
Equities (UK, overseas and emerging markets)	45,056,077	8.4
Diversified Growth Funds	18,946,137	3.5
Multi-Asset Credit	45,468,979	8.5
Property	9,775,036	1.8
Long Lease Property	46,544,167	8.7
Private Equity	5,680,004	1.0
Semi-Liquid Credit	43,166,860	8.0
Direct Lending	26,498,286	4.9
Junior Infrastructure Debt	38,129,758	7.1
Infrastructure Equity	15,974,151	3.0
Matching Assets:	**242,308,181**	**45.1**
Liability Driven Investment ("LDI") and Short Duration Credit	162,146,497	30.2
Index-Linked Gilts	80,161,684	14.9
Total	**537,547,636**	**100.0**

Source: Investment Managers. Figures may not sum due to rounding.

All of the investments noted above relate to pooled investment vehicles. The Trustees regard all the investments as readily marketable other than the private equity, direct lending, semi-liquid credit and infrastructure funds.

Investment Policy and Management

As at 31 May 2023, the Actuary's required rate of return to meet the Scheme's long-term funding objective decreased to gilts + 1.9%, compared to the previous requirement of gilts +3.4% in May 2022. At the June 2023 Trustee meeting, it was agreed that the Trustees should explore options to de-risk the investment strategy in light of the improvement in the long term sustainability of the Scheme due to rising yields.

In June 2023, the Trustees agreed to reduce the Scheme's equity exposure in favour of bonds and an increased allocation to physical gilts in order to lift the hedge to c.45% on a gilts basis. This activity was completed in tranches over a three month period, commencing in July and completing in September 2023.

In early 2024, the Trustees and Sponsor agreed the 2023 actuarial valuation results. The investment strategy is currently under review following completion of the exercise. The strategy is expected to evolve over the remainder of 2024.

Section 2 – Trustees' Report (continued)

Investment Report (continued)

Investment Policy and Management (continued)

The Scheme's investments are managed in accordance with the Occupational Pension Schemes (Investment) Regulations 1998 and may be realised quickly enough to meet the cashflow needs of the Scheme.

The responsibility for investment of Scheme assets is vested in the Trustees who, in turn, delegate responsibility for day to day decisions to professional investment managers. Each of the Scheme's principal managers operates in accordance with guidelines and restrictions set out in an investment management agreement and with instructions given by the Trustees from time to time.

The proportions of the Scheme's investments managed by each of the managers at 31 March 2024 are as follows:

Manager	Mandate	Actual (%)	Benchmark (%)	Variance (%)
Baillie Gifford	Global Active Environmental, Social and Governance ("ESG") Equities	2.8	2.5	0.3
Baillie Gifford	Global Active Impact ESG Equities	1.1	1.0	0.1
BlackRock	Global Passive ESG Equities	3.4	3.0	0.4
BlackRock	Emerging Market ("EM") Equities	1.1	1.0	0.1
Baillie Gifford	Diversified Growth ("DGF")	3.5	0.0	3.5
BlackRock	Balanced Property	1.8	0.0	1.8
BlackRock	Long Lease Property	8.7	7.5	1.2
BlackRock	Short Duration Credit ("SDC")	5.3	7.0	(1.7)
BlackRock	Index-Linked Gilts ("ILG")	14.9	17.5	(2.6)
BlackRock	Liability Driven Investment ("LDI")	24.9	24.5	0.4
CQS	Multi-Asset Credit ("MAC")	8.5	7.5	1.0
Pantheon	Private Equity	1.0	1.0	-
Aegon	European Asset Backed Securities ("ABS")	0.0	5.0	(5.0)
Apollo	Semi-Liquid Credit	8.0	7.5	0.5
Partners Group	Direct Lending	4.9	5.0	(0.1)
Patrizia	Junior Infrastructure Debt	7.1	5.0	2.1
BlackRock	Infrastructure Equity	1.7	2.5	(0.8)
IFM	Infrastructure Equity	1.3	2.5	(1.2)

Source: Investment Managers. Totals may not sum due to rounding.

Section 2 – Trustees' Report (continued)

Investment Report (continued)

Investment Policy and Management (continued)

As at 31 March 2024, the proportion of Scheme assets invested in Equity (global active ESG, global passive ESG, and emerging markets), Diversified Growth, Balanced Property, Long Lease Property, Liability Driven Investment, Multi Asset Credit, Semi-liquid Credit and Junior Infrastructure Debt were 0.9%, 3.5%, 1.8%, 1.2%, 0.4%. 1.0%, 0.5% and 2.1%, higher, respectively, than the Trustees' existing benchmark. Correspondingly, the allocations to Short Duration Credit, Index-Linked Gilts, European Asset Backed Securities, Direct Lending and Infrastructure Equity were (1.7%), (2.6%), (5.0%), (0.1%) and (2.0%) underweight respectively.

Investment Performance

Isio has been appointed by the Trustees to monitor the performance of the Scheme and the managers, and to provide regular reports to the Trustees. The Scheme (excluding the private market holdings) posted a return of -0.2% net of fees during the twelve-month period to 31 March 2024, against the benchmark return of 0.6%. Negative absolute performance was driven by the Scheme's BlackRock LDI portfolio as it was negatively impacted by higher gilt yields reflecting persistence in global inflationary pressures. The Scheme's growth assets performed strongly over the 12-month reporting period despite ongoing market volatility. In late 2023, inflation appeared to stabilise, leading to positive investor sentiment amidst hopes of interest rate cuts in the short-term, contributing towards higher asset valuations.

The key contributors to the Scheme's relative underperformance over the year were the Baillie Gifford equity funds and Baillie Gifford Diversified Growth Fund. The Baillie Gifford Positive Change and the Baillie Gifford Global Alpha Paris Aligned suffered over Q2 and Q3 as the rise in interest rates led to declines in growth stock valuations. Further, the Baillie Gifford equity funds were impacted as a result of stock selection and health care assets which underperformed. Baillie Gifford Diversified Growth performance detractors include the Fund's commodity, high yield credit, government bond, active currency and infrastructure sleeves.

Over the three year period to 31 March 2024, the Scheme (excluding private markets) returned (13.4%) p.a., against a benchmark of (8.1%) p.a.. Relative performance over this time period was heavily influenced by the inflationary and rising interest rate environment.

	12 months ending 31 March 2024 (%)	3 years ending 31 March 2024 (%p.a.)
Scheme	0.2	(13.4)
Benchmark	0.6	(8.1)

Source: Total Scheme figures are estimated by Isio based on underlying data from the investment managers. All returns are shown net of fees.

Section 2 – Trustees' Report (continued)

Investment report (continued)

Performance over the last year (%)

The performance of the managers and of Scheme assets in aggregate are analysed relative to appropriate index measures. Over the year to 31 March 2024, the investment rates of return of the major managers and the combined Scheme were as follows:

Manager	Objective	Scheme Return (%)	Benchmark Return (%)
BlackRock (EM Equity)	MSCI Emerging Markets Index	5.1	5.9
BlackRock (ESG Equity)	MSCI World ESG Focus Low Carbon Screened Index	23.4	23.0
Baillie Gifford Positive Change	MSCI ACWI Index + 2% p.a. (net)	7.0	23.6
Baillie Gifford Global Alpha Paris Aligned ("GAPA")	MSCI ACWI Index + 2% p.a. (net)	17.6	23.6
Baillie Gifford (DGF)	UK Base Rate + 3.5% p.a.	3.2	8.6
BlackRock (SDC) [1]	3 Month SONIA + 1.5 p.a. (net)	-	-
BlackRock (ILG) [1]	FTSE Actuaries UK Index-Linked Gilts over 5 Years Index	-	-
BlackRock (LDI)	Liability Cashflow	(16.3)	(16.3)
BlackRock (Property)	IPD All Balanced Index + 1.0% p.a. (net)	(3.3)	0.3
CQS	SONIA + 4% p.a. (net)	13.5	9.2
BlackRock (Long Lease Property)	UK Long Income Open-Ended Property Fund Index	(3.3)	(2.9)
Apollo	SONIA + 5.3% p.a. (net)	9.0	10.6
Partners Group	SONIA + 4% p.a. (net)	12.6	9.2
Patrizia	SONIA + 4% (net)	7.8	8.8
IFM Global Infrastructure Fund	Net IRR of 10%	5.6	10.0
BlackRock (Global Renewable Power Fund III)	9 – 10% net IRR	9.3	9.0
Total (ex Private Equity)	**Composite**	**0.2**	**0.6**

Source: One year performance figures are estimated by Isio based on underlying data from the investment managers. Returns are shown net of fees. LDI Funds are shown to have no out or under performance given they are benchmarked against the Scheme's liabilities.

[1] 12-month performance is unavailable as mandate was incepted after 31 March 2023.

Section 2 – Trustees' Report (continued)

Investment report (continued)

Statement of Investment Principles ("SIP")

The Trustees have produced a Statement of Investment Principles as required by Section 35 of the Pensions Act 1995. This Statement sets out the Trustees' policies on the choice of investments which are used to provide the benefits payable to Scheme members. The Trustees also produce an Investment Implementation Policy Document ("IIPD") which outlines the detailed day to day implementation of the investment policy of the Scheme.

The document provides details of the mandates of the Scheme's investment managers, their policies for managing assets and the risk guidelines and performance benchmarks set for each of the managers. A separate Statement of Compliance with the Investment Governance Group ("IGG") Principles provides further information on the Trustees' governance of the Scheme's assets, including details of the Scheme's service providers and the services which they provide.

The Statement of Investment Principles and the IIPD are revised regularly to reflect any changes in the Scheme's investment arrangements. The Statement of Investment Principles is available to view at the following address: pension-and-life-assurance-scheme-statement-of-investment-principles-sip-august-2023-pdf-346kb.pdf (scottish-enterprise.com) The Statement of Compliance with the IGG Principles is also revised regularly. Copies of both documents are available to members on request from the Administration Team.

Investment Activity

In Q4 2022, BlackRock communicated to investors that they would be deferring redemptions of units from the Balanced Property Fund due to the significant volume of requests made by clients. Redemptions were received from April 2023 and the Scheme has received c.£23m over this period. Remaining proceeds are expected over the next 6-12 months.

In June 2023, the Trustees agreed to reduce the Scheme's overall level of risk due to an improvement in the long term sustainability of the Scheme and manage risk whilst the 2023 actuarial valuation process was undertaken.

As part of the short-term de-risking activity, the Trustees agreed to reduce the global equity portfolio to c.7.5% of Scheme assets, trim the overweight CQS allocation to 7.5% of Scheme assets, and increase the allocation to physical gilts in order to lift the liability hedge to c.45% on a gilt basis. Additionally, the Investment Committee ("IC") allocated the remaining c.5% of Scheme assets to Short Duration Credit with BlackRock in order to provide collateral resistance and sit within the Scheme's LDI collateral waterfall framework.

At the December 2023 Trustee meeting, the Trustees agreed to disinvest from Baillie Gifford DGF following poor performance and concerns over positioning and style drift within the mandate. It was agreed that the Scheme would introduce a 5% allocation to asset-backed securities, which would be funded from Baillie Gifford DGF and excess cash holdings.

In March 2024, the Trustees agreed to implement the Aegon European ABS Fund and the investment was completed post-reporting period.

Section 2 – Trustees' Report (continued)

Investment report (continued)

Derivatives

Managers for the Scheme may use derivative products for the efficient management of their portfolios.

Custodial Arrangements

For the Scheme's pooled fund investments, the Trustees have no direct ownership of the underlying assets of the pooled funds. The policies, proposal forms, prospectuses and related principles of operation, set out the terms on which the assets are managed. The safekeeping of the assets within the pooled funds is performed on behalf of the representative investment managers by custodian banks specifically appointed to undertake this function and whose appointment is reviewed at regular intervals by the manager.

Social, Environmental and Ethical Considerations & Exercise of Voting Rights

The Trustees believe that environmental, social and corporate governance issues are a financial risk but also an investment opportunity for the Scheme.

The Scheme's voting policy is exercised by its investment managers in accordance with their own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustees review their approach to ESG and updates the Scheme's SIP to reflect their views accordingly. The most recent update was to ensure the Scheme was compliant with the Department of Work and Pensions ("DWP") new requirements, most notably setting out how they take account of financially material considerations, including (but not limited to) those arising from Environmental, Social and Governance considerations, including climate change.

The Trustees have developed an "ESG +" approach with regards to the Scheme's investment strategy, which includes both active and passive ESG equity mandates, and a renewable infrastructure equity mandate. The Trustees have been working with Isio on these changes and will continue to monitor and evolve the Scheme's exposure to sustainable investments as opportunities arise. The Trustees conducted an impact assessment to review the ESG credentials of each of the Scheme's managers, who Isio review formally on an annual basis. The Trustees received the latest annual report in Q2 2024.

Investment managers are expected to report on their adherence to ESG periodically as part of the Trustees' increased monitoring on ESG. The Trustees review the underlying investment managers' integration of and approach to ESG on an annual basis.

The Trustees have delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them, however acknowledge responsibility for the voting policies that are implemented on the Trustees' behalf. Accordingly, the managers have produced written guidelines of their process and practice in this regard. The managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary meetings of companies.

Section 2 – Trustees' Report (continued)

Investment report (continued)

Investment Management Arrangements

The Trustees have appointed several investment managers to manage the assets of the Scheme as listed in the Investment Implementation Policy Document ("IIPD"). The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees take investment managers' policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

The investment managers' remuneration is based upon a percentage value of the assets under management. The fees have been negotiated to be competitive. The Scheme's mandates for Direct Lending, Infrastructure Equity, and unlisted Private Equity are also subject to a performance related fee element.

As all of the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

Risks, Financially Material Considerations and Non-Financial matters

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

Section 2 – Trustees' Report (continued)

Investment report (continued)

Remuneration

The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.

The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.

Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.

The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.

Incentivisation

As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.

The Scheme's mandates for Direct Lending, unlisted Private Equity, and Infrastructure Equity are subject to a performance related fee.

The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.

The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.

Section 2 – Trustees' Report (continued)

Investment report (continued)

Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustees receive a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustees' meeting. • The Scheme's investment managers are invited, in person, to present to the Trustees on their performance, strategy and risk exposures.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustees' investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustees receive information from their investment advisers on the investment managers' approaches to engagement. • The Trustees will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters at least annually.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustees' policies in this area.

Through the engagement described above, the Trustees will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustees will review the relevant investment manager's appointment and will consider terminating the arrangement.

Employer Related Investments

There were no employer related investments during the year (2023: nil).

Section 2 – Trustees' Report (continued)

Statement of Trustees' Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustees. Pension Scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Section 2 – Trustees' Report (continued)

Further Information

Internal Dispute Resolution ("IDR") Procedures

It is a requirement of the Pensions Act 1995 that the Trustees of all occupational pension schemes must have IDR procedures in place for dealing with any disputes between the Trustees and the scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustees, details of which are included in the member booklet.

Contact for Further Information

Further information about the Scheme is available on request. The Trust Deed and Rules governing the Scheme are available for inspection. Enquiries should be addressed to the Scheme Administrator (details on page 2).

The Pensions Regulator ("TPR")

TPR has the objectives of protecting the benefits of members, promoting good administration and reducing the risk of claims on the Pension Protection Fund. TPR has the power to investigate schemes, to take action to prevent wrongdoing in or maladministration of pension schemes and to act against employers failing to abide by their pension obligations. TPR may be contacted at the following address:

The Pensions Regulator
Telecom House
125-135 Preston Road
Brighton
BN1 6AF
Website: www.thepensionsregulator.gov.uk

The Money and Pensions Service ("MaPS")

This service is available at any time to assist members and beneficiaries with pensions questions and issues they have been unable to resolve with the Trustees of the Scheme. MaPS has launched MoneyHelper, which brings together the Money Advice Service, The Pensions Advisory Service and Pension Wise to create a single place to get help with money and pension choices. MoneyHelper is impartial, backed by the government and free to use.

The Money and Pensions Service
Holborn Centre
120 Holborn
London
EC1N 2TD
Tel: 0800 011 3797
Website: www.moneyhelper.org.uk

Section 2 – Trustees' Report (continued)

The Pensions Ombudsman

Members have the right to refer a complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the events(s) the member is complaining about happened – or, if later, within three years of when they first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London
E14 4PU
Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk
Members can also submit a complaint form online: https://www.pensions-ombudsman.org.uk/making-complaint

Pension Tracing Service

The Pension Schemes Registry has been replaced with the Pension Tracing Service and is now provided by the Department for Work and Pensions. Responsibility for compiling and maintaining the register of occupational pension schemes has been passed to The Pensions Regulator.

Contact details for the services are as follows:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF
United Kingdom
Website: www.gov.uk/find-pension-contact-details

Approval of the Report by the Trustees

Signed for and on behalf of the Trustees of the Scottish Enterprise Pension And Life Assurance Scheme by:

Alistair Gray .... Trustee

Derek Ballantyne .... Trustee

11 September 2024 .... Date

Section 3 – Independent Auditor's Report

Independent Auditor's Report to the Trustees of the Scottish Enterprise Pension And Life Assurance Scheme

Opinion

We have audited the financial statements of the Scottish Enterprise Pension And Life Assurance Scheme (the "Scheme") for the year ended 31 March 2024 which comprise the Fund Account, Statement of Net Assets and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Section 3 – Independent Auditor's Report (continued)

Other information

The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the Annual report and financial statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 20, the Scheme's Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to wind up the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

Section 3 – Independent Auditor's Report (continued)

Auditor responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

- The Pension Schemes Statement of Recommended Practice (2018).

- The Pensions Acts 1995 and 2004.

- Financial Reporting Standard 102.

- The Scheme's schedule of contributions certified by the Scheme actuary on 10 June 2021 and 28 March 2024.

We gained an understanding of how the Scheme is complying with these laws and regulations by making enquiries of management and the Trustees. We corroborated these enquiries through our review of Trustees' meeting minutes.

Section 3 – Independent Auditor's Report (continued)

Extent the audit was considered capable of detecting irregularities, including fraud (continued)

We assessed the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur, by enquiring of management and the Trustees to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and the Trustees were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and the Trustees oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. We identified a heightened fraud risk in relation to:

- Management override of controls.
- Revenue recognition – contributions and investment income.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of Trustees' meetings for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.
- Reviewing the latest available internal control reports of the Scheme Administrator and Scheme investment managers.
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the rationale of significant transactions outside the normal course of business and reviewing judgments made by management in their calculation of accounting estimates for potential management bias.
- Completion of appropriate checklists and use of our experience to assess the Scheme's compliance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.
- Agreement of the financial statement disclosures to supporting documentation.
- Reviewing the accounting records of contributions received and receivable by the Scheme during the year to identify any instances of non-compliance with the requirements of the schedule of contributions to pay specified contributions by specified due dates.
- Reviewing investment manager transactions reports and distribution notes for investment income for the year and ensure correctly treated in the accounts.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Section 3 – Independent Auditor's Report (continued)

Use of our report

This report is made solely to the Scheme's Trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP
Statutory Auditor
227 West George Street
Glasgow, G2 2ND
United Kingdom
Date:

Section 4 – Financial Statements

Fund Account for year ended 31 March 2024

	Note	2024 £	2023 £
Contributions and Benefits			
Contributions – Employer	4	**14,189,378**	13,361,884
– Members	4	**365,915**	316,407
Other income	5	**164,808**	1,110
		14,720,101	13,679,401
Benefits paid or payable	6	**(24,683,384)**	(22,198,289)
Payments to and on account of leavers	7	**(344,710)**	(615,503)
Life assurance premiums	8	**(250,195)**	(238,351)
Administrative expenses	9	**(1,171,810)**	(1,071,048)
		(26,450,099)	(24,123,191)
Net withdrawals from dealings with members		**(11,729,998)**	(10,443,790)
Returns on Investments			
Investment income	10	**11,272,715**	10,144,634
Change in market value of investments	12	**(7,185,435)**	(335,343,764)
Investment management expenses	13	**(589,549)**	(1,061,603)
Net returns on investments		**3,497,731**	(326,260,733)
Net decrease in the Scheme during the year		**(8,232,267)**	(336,704,523)
Net assets at the start of the year		**570,880,980**	907,585,503
Net assets at the end of the year		**562,648,713**	570,880,980

The notes on pages 30 to 43 form part of these financial statements.

Section 4 – Financial Statements (continued)

Statement of Net Assets (available for benefits) as at 31 March 2024

	Note	2024 £	2023 £
Investment assets			
Pooled investment vehicles	*12*	**537,547,636**	538,149,017
Other investment balances	*12*	**2,119,393**	2,048,256
		539,667,029	540,197,273
Current assets	*14*	**23,342,767**	30,897,899
Current liabilities	*15*	**(361,083)**	(214,192)
Closing net assets of the Scheme available for benefits		**562,648,713**	570,880,980

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with on pages 6 and 7 and the Actuarial certificate is on page 46 and these financial statements should be read in conjunction therewith.

Signed for and on behalf of the Trustees of the Scottish Enterprise Pension And Life Assurance Scheme by:

Alistair Gray — Trustee

Derek Ballantyne — Trustee

11 September 2024 — Date

The notes on pages 30 to 43 form part of these financial statements.

Section 5 – Notes to the Financial Statements

Notes to the financial statements for the year ended 31 March 2024

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS 102) – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised 2018) ("the SORP").

The financial statements are prepared on a going concern basis, which the Trustees believe to be appropriate as they believe that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustees have taken into account plausible downside assumptions of the sponsoring employer to gain comfort that it will continue to make contributions as they fall due. This assessment gives the Trustees confidence to prepare the financial statements on a going concern basis.

The financial statements have been prepared on an accruals basis.

2 IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under Scottish law. The address for enquiries to the Scheme is Scottish Enterprise Pension And Life Assurance Scheme Administration, Hymans Robertson LLP, 20 Waterloo Street, Glasgow, G2 6DB.

3 ACCOUNTING POLICIES

The principal accounting policies are set out below.

Contributions

Employer and member contributions are accounted for on an accruals basis at rates agreed between the Trustees and the Employer based on the recommendations of the Actuary and set out in the Schedule of Contributions.

Members' additional voluntary contributions are accounted for on an accruals basis.

Other income

Any additional income is accounted for on an accruals basis.

Benefits paid or payable

Benefits are included in the financial statements on an accruals basis when the member notifies the Trustees as to the type or amount of benefit to be taken, or where there is no choice, on the date of retirement or leaving.

Where a member's benefit entitlement exceeds the United Kingdom Inland Revenue tax limits (Lifetime Allowance or the Annual Allowance), the member is liable for taxation which can be settled by the member or the Trustees may settle the tax on behalf of the member for a reduction in benefit entitlement. When the Scheme settles the tax, the cost is accounted for on an accrual basis.

Notes to the financial statements for the year ended 31 March 2024 (continued)

3 ACCOUNTING POLICIES (continued)

Individual transfers

Individual transfers from the Scheme during the year are included in the financial statements when the member liability is discharged.

Administrative expenses and investment management expenses

Administrative expenses and investment management expenses are accounted for on an accruals basis.

Investment income

Income arising from the underlying investments of the pooled investment vehicles that is not distributed but reinvested within the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Foreign currencies

Amounts denominated in foreign currencies at the year end are translated into sterling at the rates of exchange ruling at the year-end date. Differences on foreign currency transactions are shown in the fund account within the change in market value of investments to which they relate.

Investment income denominated in foreign currencies is recorded at the rate of exchange on the date of the transaction. Any exchange differences are disclosed in return on investments.

The Scheme’s functional currency is in pounds sterling (“GBP”) however the Scheme also has bank accounts denotated in US dollars (“USD”) and Euros (“EUR”) for investment transactions.

The presentational currency is pounds sterling.

Investments

Pooled investment vehicles are valued at the bid price at the accounting date as advised by the investment managers.

Notes to the financial statements for the year ended 31 March 2024 (continued)

4 CONTRIBUTIONS

	2024	2023
	£	£
Employers:		
Normal	**169,454**	145,456
Salary Sacrifice	**14,019,924**	13,216,428
	14,189,378	13,361,884
Members:		
Normal	**50,836**	43,637
Additional Voluntary Contributions	**315,079**	272,770
	365,915	316,407
	14,555,293	13,678,291

Normal contributions and salary sacrifice contributions are due under the Schedules of Contributions, certified by the Scheme Actuary on 10 June 2021 and 28 March 2024.

Salary sacrifice applies from 1 April 2016 and the majority of Scheme members have opted to have their contributions deducted from their salary under this arrangement. Salary sacrifice contributions above include both the salary sacrificed by employees and the associated employer contributions. Normal contributions apply to members not participating in salary sacrifice.

Members have the ability to pay additional contributions to the Scheme in return for extra years of pensionable service added to their benefits.

5 OTHER INCOME

	2024	2023
	£	£
Transfer calculation fees	**3,339**	1,110
Lump sum death benefits	**161,469**	-
	164,808	1,110

Included in the above table is lump sum death in service receipts that have been reclaimed from the assurance policy held with MetLife.

Notes to the financial statements for the year ended 31 March 2024 (continued)

6 BENEFITS PAID OR PAYABLE

	2024	2023
	£	£
Pensions	**19,841,936**	17,715,582
Commutations and lump sum retirement benefits	**4,596,390**	4,331,985
Taxation where lifetime or annual allowances are exceeded	**23,673**	42,215
Lump sum death benefits	**221,385**	108,507
	24,683,384	22,198,289

7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024	2023
	£	£
Individual transfers to other schemes	**344,710**	615,503

8 LIFE ASSURANCE PREMIUMS

	2024	2023
	£	£
Life assurance premiums	**250,195**	238,351

Lump sum death in service benefits are secured by an assurance policy and the underwriting arrangements are carried out by MetLife.

9 ADMINISTRATIVE EXPENSES

	2024	2023
	£	£
Administration, actuarial and investment consultancy	**1,028,602**	961,923
Audit fee	**22,400**	14,180
Legal and other professional fees	**102,722**	76,947
Independent Trustee fees and expenses	**18,086**	17,998
	1,171,810	1,071,048

Notes to the financial statements for the year ended 31 March 2024 (continued)

9 ADMINISTRATIVE EXPENSES (CONTINUED)

The employer has met the cost of the PPF levy in the year under review, as in the prior year. The cost of the levy is disclosed in Note 17.

10 INVESTMENT INCOME

	2024	2023
	£	£
Pooled investment vehicles	**10,605,660**	9,695,267
Interest on cash deposits	**743,219**	302,928
Currency exchange	**(76,164)**	146,439
	11,272,715	10,144,634

Currency exchange includes all gains and losses arising from transactions denoted in either USD or Euro.

11 TAX

The Scottish Enterprise Pension And Life Assurance Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate (see Note 10 above).

12 INVESTMENTS

12.1 INVESTMENT RECONCILIATION

The movements in investments during the year were:

	Value at 1 April 2023	**Purchases at cost**	**Sales proceeds**	**Change in market value**	**Value at 31 March 2024**
	£	**£**	**£**	**£**	**£**
Pooled investment vehicles	538,149,017	118,114,493	(111,530,439)	(7,185,435)	**537,547,636**
Other investment balances	2,048,256				**2,119,393**
	540,197,273				**539,667,029**

As disclosed in the Investment Report, the Trustees implemented strategy changes during the year to 31 March 2024 in line with the Actuarial Valuation at 31 March 2023, these are reflected in the above purchases and sales.

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Notes to the financial statements for the year ended 31 March 2024 (continued)

12 INVESTMENTS

12.1 INVESTMENT RECONCILIATION (CONTINUED)

Transaction Costs

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme. It has not been possible for the Trustees to quantify such indirect costs.

Other Investment Balances	2024	2023
	£	£
Cash deposits	540,702	482,057
Accrued investment income	1,578,691	1,566,199
	2,119,393	2,048,256

Concentration of Investments

The following pooled investment vehicles, account for more than 5% of the Scheme's net assets as at 31 March 2024 and 31 March 2023:

	2024 Market value £	%	2023 Market value £	%
Liability Solutions Funds II*	162,146,497	29	153,717,007	27
BlackRock – Index-Linked Gilt Funds	80,161,684	14	-	-
BlackRock UK Long Lease Property Fund	46,544,167	8	51,044,272	9
CQS Credit Multi Asset Fund	45,468,979	8	53,938,040	9
Apollo Total Return Fund	43,166,860	8	42,369,556	7
Patrizia Infrastructure Debt Partners	38,129,758	7	38,493,877	7
Partners Group Private Markets Credit Strategies 2018	26,498,286	5	32,770,885	6
BlackRock ACS World ESG Tracker Fund	18,487,617	3	33,839,813	6
Baillie Gifford Global Alpha Paris-Aligned Fund	15,164,973	3	27,162,203	5
BlackRock UK Prop Fund Distribution	9,775,036	2	34,434,850	6

*This fund contains both the Liability Driven Investment and Short Duration Credit elements.

Notes to the financial statements for the year ended 31 March 2024 (continued)

12.2 POOLED INVESTMENT VEHICLES ("PIV")

The holdings of pooled investment vehicles are analysed below:

	2024	2023
	£	£
Venture capital funds	5,680,004	6,438,434
Property funds	56,319,203	85,479,122
Growth and growth fixed income unit trusts	233,240,248	292,514,454
Gilt unit trusts	242,308,181	153,717,007
	537,547,636	538,149,017

Where the investments are held in pooled investment vehicles the change in market value also includes reinvested income, where the income is not distributed. All pooled investment vehicles are managed by companies registered in the UK.

Capital commitments

Pooled investment vehicles

As a consequence of the contracts entered into by BlackRock Investment Management (UK) Limited, Pantheon Ventures Limited, Patrizia Infrastructure Ltd and IFM Investors, the Scheme is committed to complying with funding requests, known as draw downs, up to an agreed maximum funding limit.

BlackRock Investment Management (UK) Limited

Maximum committed	Drawn down	Potential further commitment
$14,000,000	$9,720,223	$4,279,777

Pantheon Ventures Limited

Maximum committed	Drawn down	Potential further commitment
£55,236,579	£51,434,739	£3,801,840

Patrizia Infrastructure Ltd

Maximum committed	Drawn down	Potential further commitment
£40,000,000	£33,526,041	£6,473,959

IFM Investors

Maximum committed	Drawn down	Potential further commitment
£10,000,000	£10,000,000	-

Notes to the financial statements for the year ended 31 March 2024 (continued)

12.3 INVESTMENTS FAIR VALUE HIERARCHY

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the assessment date.
Level 2	Inputs other than quoted prices included within Level 1 which are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs which are unobservable (i.e. for which market data is unavailable for the asset or liability).

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

As at 31 March 2024	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	**-**	**408,098,576**	**129,449,060**	**537,547,636**
Other investment balances	**2,119,393**	**-**	**-**	**2,119,393**
	2,119,393	**408,098,576**	**129,449,060**	**539,667,029**

As at 31 March 2023	Level 1	Level 2	Level 3	Total
	£	£	£	£
Pooled investment vehicles	-	405,774,829	132,374,188	538,149,017
Other investment balances	2,048,256	-	-	2,048,256
	2,048,256	405,774,829	132,374,188	540,197,273

Scheme assets that are categorised as Level 3 are often less liquid by nature. However, most of the Level 3 assets regularly pay out income to the Scheme and some are naturally unwinding over time. The income generated from these assets ensures that the Scheme remains in a strong liquidity position in order to meet ongoing cashflow requirements. Furthermore, the Trustees maintain a sufficient allocation to liquid assets so that there is a prudent buffer to meet cashflow requirements and adhere to regulatory guidance.

Notes to the financial statements for the year ended 31 March 2024 (continued)

12.4 INVESTMENT RISKS

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustees' Report. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolios.

Further information on the Trustees' approach to risk management and the Scheme's exposures to credit and market risks is set out below. This does not include cash and 'other investments' as these are not considered significant in relation to the overall investments of the Scheme.

Investment Strategy

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents on a defined benefit basis.

The Trustees' over-riding funding principles for the Scheme are as follows – to set the employer contribution at a level which is sufficient:

- To build up assets to provide for new benefits of active members as they are earned;
- To recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term;
- To ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

Trustees will invest the assets in a manner which is appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme and will take into account of the security, quality, liquidity, and profitability of the portfolio as a whole. The investment strategy is set out in the Trustees' Statement of Investment Principles and Investment Implementation Policy Document.

The current strategy benchmark is disclosed on page 12.

Notes to the financial statements for the year ended 31 March 2024 (continued)

12.4 INVESTMENT RISKS (continued)

The Investment Strategy (continued)

The actual allocations will vary from the above due to market price movements. However the Trustees review the asset split on a quarterly basis at Investment Committee ("IC") meetings and decide where to invest/disinvest cashflows. In the event of the proportion of assets exceeding the +/-3.0% ranges of the strategic benchmark, and cashflows being insufficient to remedy the situation, the Trustees will review what action should be taken at the next scheduled IC meeting or earlier if appropriate, following advice from their investment consultant.

Credit Risk

Pooled investment arrangements used by the Scheme are listed below. The Scheme's holdings in pooled investment vehicles are not rated by credit rating agencies. The Trustees manage and monitor the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

Direct credit risk arising from pooled investment vehicles structured as authorised unit trusts, limited companies, closed ended funds, limited partnerships and open ended investment companies is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. Cash held by the pooled manager's custodian is not ring-fenced but the credit risk arising on this is mitigated by the use of regular cash sweeps (typically daily) and investing cash in liquidity funds.

Indirect credit risk arising on derivatives (used by the diversified growth managers) depends on whether the derivatives are exchange traded or over the counter ("OTC") derivatives. OTC derivatives contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements. Indirect credit risk also arises on forward foreign currency contracts. The credit risk relating to these futures is also mitigated by collateral arrangements.

A summary of pooled investment vehicles by legal structure is disclosed below:

	2024 £	2023 £
Open ended investment companies	121,997,768	179,533,263
Authorised unit trust	298,627,384	239,196,129
Cayman Islands exempted company	43,166,860	42,369,556
Public limited liability company	26,498,286	32,770,885
Closed-ended alternative investment fund	38,129,758	38,493,877
Special Limited Partnership	9,127,580	5,785,307
Total	**537,547,636**	**538,149,017**

Notes to the financial statements for the year ended 31 March 2024 (continued)

12.4 INVESTMENT RISKS (continued)

Market Risk

Currency Risk

Indirect currency risk arises from the Scheme's investment in sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currency and direct currency risk arises from the Scheme's investments in pooled investment vehicles priced in foreign currency. The Scheme's equity funds with Baillie Gifford and BlackRock fall under this category, as do the pooled private equity funds, multi-asset credit fund and private debt fund managed by Pantheon, CQS, and Partners Group respectively.

The Scheme's investment in one diversified growth fund, which consists of underlying investments across a range of asset class and regions, also exposes the Scheme to indirect currency risk. The diversified growth fund currency exposure is not explicitly hedged as the manager of the multi-asset fund may use currency exposures as part of the fund's investment strategy.

Interest Rate Risk

The Scheme is subject to interest rate risk because a proportion of the Scheme's investments are held in bond-like instruments through pooled vehicles. These assets match the characteristics of the liabilities (interest rate and inflation sensitivity). Under this strategy, if interest rates fall (rise), the value of the bonds will rise (fall) to match the increase (fall) in the actuarial value placed on the liabilities arising from a fall (rise) in the discount rate.

Additionally, the diversified growth fund may take active interest rate positions in the pooled fund either to achieve excess returns or for efficient portfolio management (for example when taking a currency position on a particular security, but not taking a view on interest rates and so uses a derivative to hedge this risk). This risk is managed within the fund by the Investment Manager.

The Scheme has exposure to growth fixed income assets via the CQS multi-asset credit, Apollo semi-liquid credit mandates and BlackRock Short Duration Credit. The interest rate exposure for these funds are expected to be low. The Partners Group direct lending mandate and Patrizia junior infrastructure debt mandates have exposure to floating rate loans which minimise interest rate risk.

Notes to the financial statements for the year ended 31 March 2024 (continued)

12.4 INVESTMENT RISKS (continued)

Other Market Risk

Other price risk arises principally in relation to the Scheme's return seeking assets, which includes equities held in pooled vehicles, diversified growth strategies, semi-liquid credit, direct lending, multi-asset credit, private equity and property (both balanced and long-lease).

The table below shows the specific investment risks which affect each of the Scheme's investments as at 31 March 2024 and 31 March 2023:

Fund Name	Credit risk	Currency risk	Interest rate risk	Other price risk	Value 31 March 2024	Value 31 March 2023
Apollo - Semi-Liquid Credit	x	-	x	x	43,166,860	42,369,556
Baillie Gifford - Global Alpha Paris-Aligned	-	x	-	x	15,164,973	27,162,203
Baillie Gifford - Positive Change	-	x	-	x	5,744,469	12,586,419
Baillie Gifford - Diversified Growth	x	x	x	x	18,946,137	18,354,321
BlackRock - ESG Tracker	-	x	-	x	18,487,617	33,839,813
BlackRock - EM Equity	-	x	-	x	5,659,018	20,697,904
BlackRock - Balanced Property	x	-	-	x	9,775,036	34,434,850
BlackRock – Long Lease Property	x	-	x	x	46,544,167	51,044,272
BlackRock – Index-Linked Gilt Funds	x	-	x	x	80,161,684	-
BlackRock – Liability Driven Investment	x	-	x	x	133,809,703	153,717,007
BlackRock – Short Duration Credit	x	-	x	x	28,336,794	-
BlackRock – Infrastructure Equity	x	x	x	x	9,127,580	5,785,307
IFM - Infrastructure Equity	x	-	x	x	6,846,571	6,516,129
CQS – Multi-Asset Credit	x	x	x	x	45,468,979	53,938,040
Pantheon - Private Equity	x	x	-	x	5,680,004	6,438,434
Partners Group - Direct Lending	x	x	x	x	26,498,286	32,770,885
Patrizia – Junior Infrastructure Debt	x	-	x	-	38,129,758	38,493,877
Total					**537,547,636**	**538,149,017**

In the above table, the risk noted [x] affects the asset class, [-] has none or negligible exposure.

13 INVESTMENT MANAGEMENT EXPENSES

	2024	2023
	£	£
Administration, management and custody	**589,549**	1,061,603

Investment management expenses have decreased in the year to 31 March 2024 as the Trustees have moved investment in BlackRock towards the Liability Driving Investment, Short Duration Credit and Index-Linked Gilt funds (see above table), the expenses for these are implicit in the value of the investment.

Notes to the financial statements for the year ended 31 March 2024 (continued)

14 CURRENT ASSETS

	2024	2023
	£	£
Cash in bank	**21,974,636**	29,651,371
Benefits paid in advance	**1,368,131**	1,246,493
Other prepayments	**-**	35
	23,342,767	30,897,899

There were no employer-related investments within the meaning of section 40(2) of the Pensions Act 1995.

15 CURRENT LIABILITIES

	2024	2023
	£	£
Accrued benefits payable	**209,166**	50,869
Accrued fees payable	**151,917**	163,323
	361,083	214,192

16 ADDITIONAL VOLUNTARY CONTRIBUTIONS

Members have the ability to pay additional contributions to the Scheme in return for extra years of pensionable service added to their benefits.

17 RELATED PARTY TRANSACTIONS

During the period from 1 April 2023 to 31 March 2024, seven Trustees were contributing members of the Scheme (2023: seven) and one Trustee was a deferred member (2023: one).

Trustee contributions are paid in accordance with the Rules of the Scheme.

One other Trustee was in receipt of a pension from the Scheme during the year (2023: one).

Trustee benefits have been paid in accordance with the Rules of the Scheme.

In addition, the employer has met the cost of the PPF levy of £14,585 in the year under review (2023: £16,908).

Since the appointment of Alistair Gray, the fees of the independent Trustee are paid by the Employer and recharged to the Scheme. The amount reimbursed to the Employer by the Scheme was £18,086 (2023: £17,998) which can be found in Note 9.

Notes to the financial statements for the year ended 31 March 2024 (continued)

18 GUARANTEED MINIMUM PENSION

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The Trustees of the Scheme are aware that the issue will affect the Scheme.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustees do not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

For the actuarial valuation as at 31 March 2023, the Trustees have included a 1% loading to the Scheme's technical provisions to account for GMP equalisation and this is considered immaterial.

In November 2020 a further High Court judgement was made in respect of GMP equalisation and historic transfer values. The judge ruled that historic transfer values would fall under the scope of GMP equalisation and that trustees of pensions schemes remain liable to members where transfer value payments reflected unequalised GMP benefits. The Trustees of the Scheme are aware of the issue and will consider this as part of the wider GMP equalisation project. The impact is expected to be immaterial so no allowance is included.

19 SUBSEQUENT EVENTS

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met. There is also potential for legislative intervention following industry lobbying efforts that may retrospectively validate certain rule amendments. The court decision was subject to appeal which was heard on 25 July 2024 and the original decision was upheld.

The Trustees have no reason to believe that the relevant requirements were not complied with however are consulting with its advisors, to understand the potential impact, if any, on the Scheme.

Also, post year-end, the Trustees invested in Aegon Asset Management. This resulted in £28m being paid to Aegon Asset Management to fund the investment purchase on 13 May 2024.

Other than noted above, there were no other subsequent events requiring disclosure in the financial statements (2023: £nil).

Section 6 – Independent Auditor's Statement about Contributions

Independent Auditor's Statement about Contributions to the Trustees of the Scottish Enterprise Pension And Life Assurance Scheme

We have examined the Summary of Contributions to the Scottish Enterprise Pension And Life Assurance Scheme for the Scheme year ended 31 March 2024 to which this statement is attached.

Statement about contributions payable under the Schedules of Contributions

In our opinion contributions for the Scheme year ended 31 March 2024 as reported in the Summary of Contributions and payable under the Schedules of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary on 10 June 2021 and 28 March 2024.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of Trustees and the auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedules of Contributions and to report our opinion to you.

Use of our report

This report is made solely to the Trustees, as a body in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996. Our work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an Auditor's Statement about Contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees as a body, for our work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP
Statutory Auditor
227 West George Street
Glasgow
G2 2ND
Date:

Section 7 – Summary of Contributions

Summary of Contributions payable in the year

During the year ended 31 March 2024, the contributions payable to the Scheme under the Schedules of Contributions were as follows:

	Employers	Members
	£	£
Employers		
Normal	169,454	-
Salary sacrifice	14,019,924	-
Members		
Normal	-	50,836
In accordance with the Schedules of Contributions	**14,189,378**	**50,836**
Other contributions payable		
Additional voluntary contributions	-	315,079
Total (as per Fund Account)	**14,189,378**	**365,915**

Signed for and on behalf of the Trustees of the Scottish Enterprise Pension And Life Assurance Scheme by:

Alistair Gray Trustee

Derek Ballantyne Trustee

11 September 2024 Date

Section 8 – Actuarial Certificate

Scottish Enterprise Pension & Life Assurance Scheme

Schedule of Contributions – Actuarial Certificate

Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 31 March 2023 can be expected to be met by the end of the period for which the schedule is to be in force.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 27 March 2024.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the Scheme's full liabilities with annuities if the Scheme were to wind up.

Signature	[redacted]
Date	28-Mar-2024 | 12:06 GMT
Name	Calum Cooper
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	20 Waterloo Street, Glasgow, G2 6DB

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

Section 9 – Schedule of Contributions

Scottish Enterprise Pension & Life Assurance Scheme

Schedule of Contributions

This schedule sets out the contributions that will be paid to the Scottish Enterprise Pension & Life Assurance Scheme (the Scheme). This schedule is dated 27 March 2024 and applies from 1 April 2024 until 31 March 2029. It replaces the previous schedule dated 1 June 2021.

This schedule has been prepared after consultation with Scottish Enterprise (the sponsor) and after taking the advice of Calum Cooper (the scheme actuary). This schedule has been certified by the scheme actuary and the certificate is included in the appendix.

Salary definition

A member's pensionable salary for contribution purposes is defined in the Scheme rules to be basic salary of the member. Where a member's salary is reduced under the pensions salary exchange arrangement, salary is defined in the Scheme rules as the amount before the reduction.

Member contributions

Members shall pay contributions at the rate of 6% of pensionable salary. These contributions and any voluntary contributions are due to be paid to the Scheme not later than 19 days from the end of the month in which the deduction from pay is made. However, if a member elects to participate in the pensions salary exchange arrangement they will not be required to contribute to the Scheme[1].

Sponsor contributions for new benefits

The sponsor shall pay the following contributions to the Scheme (less any contributions payable by the member) on a monthly basis in respect of the accrual of new benefits:

- contributions at the rate of 26% of monthly pensionable salary roll up to 31 March 2026
- contributions from 1 April 2026 will be determined and based on an annual test carried out in advance of the 1 April application date. Further details on the annual test are set out below.

All monthly sponsor contributions shall be paid to the Scheme not later than 19 days after the end of the calendar month to which they relate.

Annual test

An annual test, certified by the scheme actuary, will be applicable for contributions payable from 1 April 2026 to test whether the contribution rate should remain constant or increase or decrease by 1% of pensionable salary. The test will calculate whether the assets plus projected contributions (sponsor and member) are sufficient to meet the long term objective.

Test to determine contributions payable from 1 April 2026

"Success" is determined as having a 60% chance (on a gilts basis) of paying all the pensions promised to members (allowing for future accrual and new entrants) over the long term (stated as 30 years at 31 March 2023) on the current strategy and without additional remedial action. The test will be carried out as at 31 March of the relevant year (e.g. the test to determine contributions payable from 1 April 2026 will be carried out as at 31 March

Section 9 – Schedule of Contributions (continued)

2025), or such later date as agreed between the Trustees and sponsor. All contributions are a % p.a. and net of any contribution payable by members.

If contributions are:

- greater than 20% then the following test applies: if there is less than a 55% chance of success then contributions increase by 1%. If there is a 65% or greater chance of success then contributions reduce by 1%.
- less than 20% then the following test applies: if there is less than a 65% chance of success then contributions increase by 1%. If there is a 75% or greater chance of success then contributions reduce by 1%, subject to a minimum contribution of 18%.
- 20% then the following test applies. If there is less than a 60% chance of success then the contribution rate will increase by 1%. If there is a 70% or greater chance of success then the contribution rate will reduce by 1%.

In all other circumstances, contributions will remain unchanged.

Sponsor contributions are subject to a minimum of 18% p.a. (net of any contributions payable by the member).

Certifying the annual tests

Tests will be certified by the scheme actuary with sponsor notification at least six months prior to their respective 1 April application. All assumptions will be consistent with the Statement of Funding Principles dated 27 March 2024, updated for market conditions. Where the test shows that further increases are required, the sponsor will ensure total contributions increase as required. However, in non-valuation years and for these annual test purposes a 1% step-up will always be deemed enough.

Timing of the annual tests

The timing of the tests are set out in the table below. Please note that where a new valuation is agreed, if a test is due within three months of the date of signing that valuation, then the test is no longer due.

Date of test	Latest date contributions to be agreed by	Date new contribution rate (if changing) would take effect
31 March 2025	30 Sept 2025	1 April 2026
31 March 2026	30 Sept 2026	1 April 2027
31 March 2027	30 Sept 2027	1 April 2028
31 March 2028	30 Sept 2028	1 April 2029

Sponsor deficit reduction contributions

The 31 March 2023 actuarial valuation showed that the Scheme had no funding deficit relative to the Scheme's statutory funding objective and so no deficit contributions are required.

All sponsor contributions are due to be paid to the Scheme not later than 19 days after the end of the month to which they relate.

Section 9 – Schedule of Contributions (continued)

The sponsor shall also pay to the Scheme any additional contributions required from time-to-time on the advice of the scheme actuary as required from time to time under the Scheme's trust deed and rules.

Expenses, Levies, Fees and Insurance Premiums

The sponsor's contributions include an allowance for the following which are payable by the Scheme:

- the Pension Protection Fund administration levy
- the Pension Regulator's general levy
- life insurance premiums
- fees payable to the Scheme's administrators, investment managers and other professional advisors
- other Scheme expenses that are reasonably incurred in the course of the Trustees performing their duties.

This list is not exhaustive and other ongoing expenses may be met from the Scheme at the discretion of the Trustees on the advice of the scheme actuary.

The sponsor's contributions do not include any allowance for the Pension Protection Fund levy or the Trustees' indemnity insurance, which are payable in addition to the contributions shown on this schedule, unless otherwise agreed by the Trustees on advice from the scheme actuary.

Prepared by the Trustees of the Scheme

Signature [redacted]...... on behalf of the Trustees

Print name ALISTAIR GRAY .... Position Chair of Trustee Board ....

Date 28-Mar-2024 | 13:22 GMT ....

Agreed by the sponsor

Signature [redacted]...... on behalf of Scottish Enterprise

Print name Douglas Colquhoun .... Position Chief Financial Officer ....

Date 28-Mar-2024 | 14:14 GMT ....

This schedule of contributions is provided to meet the requirements of section 227 of the Pensions Act 2004.

Section 10 – Implementation Statement

Scottish Enterprise Pension And Life Assurance Scheme – Implementation Statement to 31 March 2024

The following pages contain the Implementation Statement Report for the Scottish Enterprise Pension And Life Assurance Scheme to the scheme year end 31 March 2024.

Scottish Enterprise Pension and Life Assurance Scheme:

Implementation Report

September 2024

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)

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 to manage financially material risks and implement the key policies in its SIP
- the current policy and 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 2024 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

- In May 2023, the Trustees utilised the Scheme's excess cash balance to invest £25m in BlackRock index-linked gilts. The rationale was to provide additional protection to Scheme funding from movements in interest rates and inflation, while the Scheme Actuary progressed the formal Actuarial Valuation.
- Over Q2 2023, gilt yields increased which reduced the gap to full funding on the Scheme's long-term objective and reduced the future service cost of the Scheme. The Scheme Actuary's required return decreased to Gilts + 1.9% in May 2023 (from the prior Gilts + 3.4% requirement in May 2022) and the Trustees agreed to explore options to de-risk the investment strategy at the June Trustee Board meeting.
- In June 2023, a lower risk investment strategy was agreed, which involved reducing the Scheme's equity exposure to 7.5% of Scheme assets and trimming the overweight CQS multi-asset credit allocation in favour of a higher allocation to index-linked gilts (increasing the liability hedge to c.45% on the gilts basis), with remaining proceeds being allocated to a short-duration credit fund with BlackRock to provide additional collateral resilience. The de-risking activity was implemented in tranches over three consecutive months, with the final tranche completing in September 2023.
- At the December 2023 Trustee meeting, the Trustees agreed to terminate the Baillie Gifford DGF mandate due to concerns over a style shift within the mandate and a sustained period of underperformance relative to the wider DGF peer group. The Trustees agreed to reinvest proceeds in a new 5% allocation to asset backed securities (ABS).
- At the March 2024 Trustee meeting, the Trustees agreed to appoint Aegon as the new ABS manager. The termination of the Baillie Gifford DGF mandate and initial investment in the Aegon European ABS Fund completed after the reporting period.

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:

Position:

Date:

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.	Prior to August 2022, the policy was to hedge 65% of movements in interest rates and inflation on a flat gilts basis. This policy is being reviewed following the agreement of the 2023 valuation approach.	The Trustees reduced the LDI hedge to 35% on a gilts basis during mid-October 2022, following unprecedented gilt market volatility. Over the reporting period, the Trustees implemented an allocation to index-linked gilts to increase the interest rate and inflation hedge (which is estimated to be c.45% on a gilts flat basis).
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. As part of the de-risking activity during Q3 2023, the Trustees implemented a new allocation to short-duration credit (c.5% of Scheme assets) which provides daily liquidity and additional collateral resilience to the LDI portfolio.
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.	The Trustees agreed to explore options to de-risk the investment strategy as the Scheme Actuary's required return decreased to Gilts + 1.9% (as at 31 May 2023), following the rise in gilt yields over 2023. The de-risking activity reduced the Scheme's equity exposure in favour of bonds, and was completed in three tranches over Q3 2023.

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 index-linked gilts and short-duration credit over the reporting period. The Trustees also agreed to replace the DGF allocation with a new ABS mandate, which was implemented post reporting period.
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 mangers on an ongoing basis.	The Trustees undertook 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.	
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.	

Changes to the SIP

Over the period to 31 March 2024, the Trustees have updated the SIP in August 2023 to reflect the recent regulatory requirements.

Policies added to the SIP	
Date updated: August 2023	
Leverage and collateral management	• The Trustees will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) portfolio. Further details on this can be found in Appendix 3 of the SIP. • The Trustees have a stated collateral management policy/framework. The Trustees have agreed a process for meeting collateral calls should these be made by the Scheme's LDI investment manager. The Trustees will review and stress test this framework on a regular basis.
Voting policy – How the Trustees expect investment managers to vote on their behalf	• The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.
Engagement policy – How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'	• The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf. • The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually. • Example stewardship activities that Trustees have considered are listed below: o Selecting and appointing asset managers – the Trustees will consider potential managers' stewardship policies and activities. o Asset manager engagement and monitoring – on a regular basis, the Trustees assess the voting and engagement activity of their asset

managers. The result of this analysis is fed into the Trustees' investment decision making.

- Collaborative investor initiatives – the Trustees will consider joining/supporting collaborative investor initiatives.

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 (which itself has an intensity 50% lower than the MSCI ACWI, with a 7% year-on-year decarbonisation pathway).	Baillie Gifford could consider introducing specific social objectives for the Fund and an ESG scorecard to be used within their investment framework. Baillie Gifford could use ESG scoring for assets held within the portfolio to aid with the identification and monitoring or ESG risks. The introduction of climate scenario analysis could enhance identification of climate risks. Baillie Gifford should extend ESG reporting within quarterly client reports to include key ESG metrics on a fund level basis. In addition, engagements with portfolio companies could be run by a centralised team to provide oversight and coordinate engagements across the firm.	Isio engaged with Baillie Gifford on the Trustee's 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.
Baillie Gifford Positive Change	This Fund is an impact strategy, which has two dual objectives: to deliver attractive investment returns and to deliver a positive change by contributing toward a more sustainable and inclusive world. The Fund aims to achieve the second goal by investing in firms which sit within four key themes: Social Inclusion and Education; Environment and Resource Needs;	Similar to the Global Alpha Fund, Baillie Gifford should consider the following actions: introduce an ESG scorecard within their investment framework; use ESG scoring for assets held within the portfolio; develop climate scenario analysis to aid identification of climate risks; develop a central team to provide oversight over the firm's engagements with portfolio companies and include ESG metrics within	Isio engaged with Baillie Gifford on the Trustee's 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.

	Healthcare and Quality of Life; and Base of the Pyramid. The firms within each theme are aligned to one or more UN SDGs.	standard quarterly reporting.	
BlackRock Global ESG Equity	The Fund is passively managed, and therefore BlackRock's scope for active ESG integration is limited. However, the underlying benchmark index excludes firms 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.	BlackRock should consider evidencing collaborative engagements across industries and improved quality of stewardship engagements. BlackRock have made progress in reporting on TCFD ESG metrics, particularly in relation to Scope 1 and Scope 2 emissions; however, this remains a work in progress where more detail is required on Scope 3 and granular ESG score breakdowns.	Isio engaged with BlackRock on the Trustee's 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 EM Equity	BlackRock have a firmwide ESG policy, have a dedicated sustainability team and are a signatory to several initiatives. However, there is much scope for BlackRock to improve, particularly in relation to how they report on ESG risks and stewardship activity. The underlying index does not have ESG objectives or exclusions.	BlackRock should provide a clearer link between stewardship priorities and engagement reporting. BlackRock should consider evidencing collaborative engagements across industries and improved quality of stewardship engagements. BlackRock should provide reporting of ESG metrics for the portfolio on a regular basis.	Isio engaged with BlackRock on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements.
Baillie Gifford Diversified Growth	Baillie Gifford considers ESG risk management as an essential part of the investment process overseen by a large ESG team, with use of scorecards and ESG policies which apply at a firm level. Voting and engagement policies aim to collaborate with companies to improve ESG.	Baillie Gifford should consider setting fund-specific ESG objectives and evidence these are being met. Baillie Gifford should update its ESG scorecard on an annual basis and provide evidence the due diligence process which captures climate, physical, social and biodiversity risks. Baillie Gifford should provide fund-specific evidence of voting and engagement in line with stewardship priorities; and set up a central process and escalation policy for	Isio engaged with Baillie Gifford on the Trustee's 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.

		engaging with all portfolio companies. Baillie Gifford should improve their fund-specific data coverage of GHG emissions and non-emissions metrics on a quarterly basis. Reporting could be improved with ESG ratings/scores/metrics for assets held within the portfolio, within quarterly specific ESG reporting.	
BlackRock Long Lease Property Fund	BlackRock have a robust firm wide ESG process that is well integrated within its Real Assets platform. Each asset within the portfolio is reviewed from an ESG standpoint and is monitored throughout the lifecycle of an investment. Despite their limited control over properties, they expect to place a greater emphasis on engaging with tenants going forward. BlackRock have committed to improving their ESG framework on an ongoing basis to identify the ESG risk and rewards associated with each underlying asset. BlackRock currently report on some ESG metrics for the Fund however they are looking to improve their reporting once data quality is improved.	BlackRock could enhance ESG reporting by including a summary of engagements and detailed ESG metrics within regular reports. BlackRock should establish a firm-level net zero target.	Isio engaged with BlackRock on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements.

CQS Multi-Asset Credit	CQS have a clear firm wide ESG framework and the Fund has several ESG objectives, such as attaining better ESG ratings and lower 'WACI' than a high yield index benchmark, and achieving Net Zero by 2050. Proprietary analysis feeds into the investment and risk management processes. Portfolio analysts and managers are responsible for carrying out ESG due diligence on issuers and provide an ESG score that feeds into the overall internal credit rating.	CQS should update/review the ESG scorecard and risk framework on a regular basis to ensure they remain fit for purpose. CQS should increase the proportion of holdings which CQS engage with on an annual basis. CQS should further develop ESG reporting to include social and nature metrics and implied temperature rise as a part of regular fund reporting; and grow the coverage of reported/verified greenhouse gas emissions. CQS should consider alternative benchmarks to be used for climate metrics given the large loan component of the portfolio.	Isio engaged with CQS on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the CQS engagements.
Apollo Semi-Liquid Credit	Apollo have a central ESG team, including a sub-team that is dedicated to ESG Credit. These teams work in partnership with credit investment professionals. ESG considerations are integrated into the Fund's risk management framework and due diligence process. Their internal ESG ratings system incorporates sector-specific scoring. The Fund does not currently have a clear stewardship policy or priorities. However, it does have an Impact Sleeve, comprising assets which meet the Fund's criteria for investment first and foremost, but also meet their impact criteria.	Apollo should develop ESG objectives for the Fund and formalise an exclusions policy. Apollo should consider methods to better incorporate climate risks within the Fund's risk management framework. Apollo should establish a stewardship policy and priorities for the Fund and improve engagement coverage in line with these priorities.	Isio engaged with Apollo on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on Apollo engagements.
Partners Group ("PG") - Direct Lending (PMCS 2018)	PG continue to demonstrate a strong firm-wide approach to ESG and have strong ESG teams and practices. They have a strong screening process in their investment approach,	Partners Group should set clear and quantifiable Fund-level ESG targets; and include specific social, climate and natural-related objectives at a Fund-level. Partners Group should review and update the ESG	Isio engaged with Partners Group on the Trustee's 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.

	using industry recognised guidance, such as the TCFD and UN Global Impact.	scorecard on a regular basis. Partners Group should begin reporting on temperature pathway alignment and emissions data at a fund-level.	
BlackRock Infrastructure Equity Fund	BlackRock have a robust firm wide ESG process that is well integrated within their Real Assets platform. Each asset within the portfolio is reviewed regularly from an ESG standpoint to ensure ESG aspects are monitored throughout the lifecycle of an investment. The mandate has clear ESG objectives centred around climate. BlackRock can clearly exhibit how climate risk influences the decision making for the Fund. BlackRock have a track record of achieving significant ESG related impacts from investing in renewable energy.	Blackrock should set formal quantitative targets for its UN SDGs and should consider demonstrating how the strategy aligns with a temperate pathway. BlackRock should demonstrate examples of engagement in line with fund-level stewardship priorities. BlackRock should improve fund-level coverage of GHG emissions data and consider tracking social metrics as part of regular ESG reporting.	Isio engaged with BlackRock on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements.
Patrizia Infrastructure Debt Fund	Patrizia have set a Net Zero carbon target by 2040 and have updated their Responsible Investment Guidelines policy. They have increased the size of their Sustainability team (12 individuals) and can demonstrate that ESG is a key aspect of their due diligence process for prospective deals, with evidence of ESG risks incorporated in scorecards and risk analysis at the fund level.	Patrizia should create a specific ESG policy for the fund. By developing an ESG support team fully committed to ESG, they could demonstrate further commitment and drive ESG improvements. Patrizia could evidence further efforts of engagement with portfolio managers on ESG issues on a regular basis. ESG should be included in regular fund reporting.	Isio engaged with Patrizia on the Trustee's 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 integrate the firm's Responsible Investment Charter and have a clear process for ESG integration throughout the investment process. IFM have specifically included climate concerns throughout their	IFM should develop a scorecard to report on quantifiable ESG risks. IFM provide carbon emissions data as specified by the Partnership for Carbon Accounting Financials (PCAF) but could continue to improve the	Isio engaged with Isio on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the IFM engagement.

	assessment approach, with quantifiable metrics and targets at Fund level. Reporting is now TCFD and SFDR aligned but there is potential for more detail in fund-level ESG metrics scoring and reporting, especially for social scoring.	reported carbon metrics for the Fund. IFM should also report social metrics at fund-level despite having social areas of ESG risk embedded into the ERM framework.	
BlackRock LDI Portfolio	BlackRock integrates ESG considerations into their counterparty selection and monitoring process. BlackRock use Aladdin Climate to model how various climate scenarios may affect the Fund value. BlackRock continues to be an active participant and leader in the evolution of the green bond market.	BlackRock should update their ESG scorecard/risk framework to assess counterparties level of ESG exposure annually. BlackRock's ESG metrics and data reporting should be independently verified. BlackRock should start reporting on counterparty engagements and ESG scores.	Isio engaged with BlackRock on the Trustee's 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's SDC Fund has a primary ESG objective relating to a 20% reduction in emissions relative to the ICE BAML 1-5 Year Global Corporate Index. The Fund's investment process places particular focus on key climate issues, as opposed to broad ESG integration. BlackRock are also able to report on a range of key metrics and have clear objectives when it comes to climate change. BlackRock label this as a sustainable product, meaning there is additional screening and modelling available compared to other pooled funds.	BlackRock should provide detailed case studies of stewardship which are specifically for the Fund and report the percentage of the companies within the Fund that they have engaged with. BlackRock should introduce regular ESG reporting for the Fund, capturing nature-based or social metrics as well as climate metrics.	Isio engaged with BlackRock on the Trustee's 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 2024.

Fund name	Engagement summary	Commentary
Baillie Gifford Global Alpha Paris-Aligned	Total engagements: 331 Environmental: 35 Social: 66 Governance: 147 Other: 83	Baillie Gifford contacted numerous companies where they engaged on a diverse variety of subjects. **CATL**: Baillie Gifford engaged with CATL to understand the company's pathway towards their newly released carbon-neutral targets. The engagement included a visit to a net zero factory in Yibin, Sichuan province, the first zero-carbon battery factory in the world. Through the engagement, Baillie Gifford gained a better understanding of how CATL is making net zero efforts in its factories and throughout the value chain. This resulted in stronger conviction in the role that CATL will play in its commitment to mitigate the inevitable environmental and social impacts of battery making. Given the challenges raised, Baillie Gifford identified actions for CATL to reinforce supplier training and communication through the procurement departments to have a real net zero impact on the supply chain.
Baillie Gifford Positive Change	Total engagements: 194 Environmental: 22 Social: 40 Governance: 91 Other: 41	Baillie Gifford contacted numerous companies where they engaged on a diverse variety of subjects. **Dexcom**: Baillie Gifford engaged with Dexcom to

		discuss the importance of reducing plastic consumption, embedded energy, and carbon emissions, As part of the engagement, Baillie Gifford encouraged Dexcom to improve on all the 3 R's (reduce, reuse, recycle) and strive for increased material circularity, which could lead to potential Scope 3 and financial savings. Dexcom acknowledged the environmental and financial opportunity that exists and ensured Baillie Gifford that its operation and R&D teams are collaborating to work on reusable components and takeback programmes. Baillie Gifford will engage with Dexcom further on these operations.
BlackRock Global ESG Equity	Total engagements: 377 Governance: 347 Social: 163 Environmental: 152 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. **BE Semiconductor**: BlackRock's BIS Team has had multi-year engagements with BE Semiconductor Industries NV (Besi)'s management team and members of the board on a range of corporate governance topics. BIS communicated that there were areas for improvement in Besi's 2022 remuneration report, such as, the metrics introduced were not sufficiently challenging. BlackRock noted that Besi has responded positively to the engagement, for example they have introduced more stretching performance conditions and eliminated the ability of the remuneration committee to use discretion.
BlackRock EM Equity	Total engagements: 345 Governance: 313 Social: 131 Environmental: 185	The BlackRock Investment Stewardship Team (BIS) carry out all voting and engagement activities. The BIS engage across all funds at an issuer

	One engagement can comprise of more than one topic across each company.	level thereby leveraging all the capital at their disposal (for example across equity and credit) to maximise engagement effectiveness. **Vale S.A.**: BlackRock's BIS team identified an area for improvement in the Latin American market related to transparency in compensation disclosures and have engaged with Vale (headquartered in Brazil) to adopt global best practice in compensation disclosure. For example, Vale published their proxy statement ahead of the 2023 AGM, which included a full compensation disclosure and analysis, despite not being required to do this. BIS believe that these disclosures are robust and demonstrate significant improvement from previous reporting, and will continue to engage with Vale's leadership on governance practices.
Baillie Gifford Diversified Growth Fund	Total engagements: 82 Environmental: 18 Social: 13 Governance: 35 Other: 16	Baillie Gifford engaged on a wide range of subjects when contacting companies with their voting intentions. Baillie Gifford focussed predominantly on environmental and social and voting engagements over the period however wider issues were captured across corporate governance factors. **China Longyuan:** Baillie Gifford met with management of the large wind power operator to discuss the company's environmental disclosures and its intentions regarding the establishment of emission reduction targets. While the meeting confirmed that the company is making progress in improving environmental management disclosure, Baillie Gifford views this to be slow and short-term in nature given the environmental materiality of its actions. Baillie Gifford have identified potential actions for the company and their learnings from this engagement is feeding into their ongoing review of the

		investment case for the holding.
BlackRock UK Balanced and Long Lease Property Funds	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. **National Renewable Solutions (NRS):** This is a 100% owned Wind & Solar investment that BlackRock engaged with to improve their ESG framework. NRS is an early-stage development platform that has grown from 15 employees at the time of investment to c.40 employees at the time of writing. As the company develops, BlackRock's ESG team has engaged to provide guidance and direction regarding the development of key ESG policies to align with international best practice. Through engagement, the company has introduced a supplier code of conduct, an environmental and biodiversity policy, and an employee compensation policy. BlackRock's ESG team was able to bring cross platform learnings and consistency to

		drive best practice in their engagements.
CQS Multi-Asset Credit	Total Engagements: 88	Engagement is undertaken by portfolio analysts, and in some cases assisted by the Portfolio Manager. CQS also have an 'Engagement Group" who provide oversight and review engagement activity centrally, ensuring that engagements are coordinated and shared across the business. CQS was not able to provide fund-level engagements and the example below is part of the firm-level engagement. **BT Group Plc:** CQS participated in meetings with the CEO and raised questions about two social issues: the significant number of planned redundancies in the business and price increases across their customer base. CQS thought that the explanations from the CEO were reasonable and believed that the industrial relations of the company was broadly in line with peers. CQS were also impressed with responses to queries on how BT were considering vulnerable customers and the support they were providing.
Apollo Total Return Fund	Total Engagements: 53 Environmental: 43 Social: 26 Governance: 30	Apollo have a clear due diligence and engagement framework. The team continually engage with portfolio companies through discussion with management, and these engagements have been a key driver for the production for formal company ESG reports and Key Performance Indicators. As bond investors, Apollo's voting rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors. **Adani Ports and Special Economic Zone Limited -** Apollo engaged with the Company on their thermal coal exposure and emissions reduction strategy in December 2023. The

		Company stated that thermal coal comprises less than 25% of their cargo mix and an additional 8-10% of the mix is from coking coal. This has reduced from 100% originally. The Company expect that green hydrogen and green ammonia will emerge as viable fuel alternatives in the next 5-6 years. As a result, they expect a gradual reduction in thermal coal as a % of their cargo mix over this time period, after which they expect a sharp fall. Adani Ports is targeting carbon neutrality (regarding their Scope 1 & 2 emissions) by 2025 and net zero by 2040. The Company is also working on electrifying the cargo handling process and electrifying the entire network within the ports.
Partners Group - Direct Lending (PMCS 2018)	Partners Group were unable to disclose the number of engagements for the reporting period.	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. Given the nature of the Fund and its underlying investments, Partners Group were unable to provide strategy level engagement examples. The following example is at the firm-level. **Aroma-Zone**: Partners Group engaged with the company's Head of ESG on improving recycling and limiting single-use packaging. Following the engagement, Aroma-Zone managed to reach its KPIs on recycling, including increasing the percentage of electricity

		that it uses which comes from renewable sources to 100%.
Patrizia Infrastructure Debt	Total Engagements (Corporate): 12 Governance: 1 Social: 2 Environmental: 6	Patrizia engage with investee companies on ESG issues as part of 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. **Adapteo**: Patrizia engaged with the company's Chief Sustainability Office to discuss the company's sustainability strategy and outlook. Adapteo proved to Patrizia that they were on track to implement their sustainability strategy, and Patrizia learned of Adapteo's plans to implement a clear and organised review of its process to prepare for addressing Corporate Sustainability Reporting Directive ("CSRD") regulation going forward.
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. **Veolia Energia**: IFM engaged with the company, which represents c. 30% of IFM's decarbonisation target across infrastructure equity. Through IFM's active management, Veolia has committed to transitioning away from coal and seeks to support Poland's transition towards a cleaner energy mix. Veolia's strategy sees a 40% reduction in tonnes of CO_2e by 2030 and phase one of the transition is underway.

BlackRock LDI	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 and have engaged on the green financing framework. They provided input on the tenors to launch bonds at, ensuring access to their client base. BlackRock currently do not collect engagement data for the underlying LDI funds.
BlackRock Sustainable Short Duration Credit ("SDC") Fund	Total Engagements: 121 Environmental: 50 Social: 38 Governance: 95 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.	*"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 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 2024. 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: 1,290 Proposals Voted: 94.4% For votes: 95.1% Against votes: 3.5% Abstain votes: 1.4%	**Analog Devices, Inc:** Baillie Gifford voted against executive remuneration as they did not believe that the performance conditions for the long-term incentive plan were sufficiently stretching. The outcome of the vote was successful however Baillie Gifford have explained their rationale for opposing this to the company and will continue to discuss this topic during their engagements in advance of the 2024 AGM.	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.
Baillie Gifford Positive Change	Votable Proposals: 323 Proposals Voted: 95.1% For votes: 96.7% Against votes: 2.9% Abstain votes: 0.3%	**PT Bank Rakyat Indonesia (Persero) Tbk:** Baillie Gifford opposed the changes to the composition of the company's management due to lack of disclosure on the changes. Whilst this is common practice in India, Baillie Gifford were not comfortable supporting the proposal given the lack of information available to make an informed decision. Baillie Gifford will continue to encourage the board to disclose this information in advance of the AGM.	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: 7,383 Proposals Voted: 98.0% For votes: 95.5% Against votes: 2.5% Abstain votes: 0.0%	**Chevron Corporation**: In 31 May 2023, BlackRock voted against the advisory vote to rescind the company's Scope 3 GHG Emissions Reduction Proposal.	BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two

		BlackRock's rationale was that this action did not demonstrate economic benefit to shareholders.	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: 23,079 Proposals Voted: 98.7% For votes: 87.1%* Against votes: 12.8%* Abstain votes: 2.6%* *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.	**Shin Kong Financial Holding Co. Ltd:** On 9 June 2023, BlackRock voted on the election of various directors for the company, which included 15 votes "for" and 19 votes "against". All votes were considered to be in the best interests of 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.
Baillie Gifford Diversified Growth Fund	Votable Proposals: 690 Proposals Voted: 94.1% For votes: 96.8% Against votes: 2.8% Abstain votes: 0.5%	**Montea NV:** Baillie Gifford voted for the authorisation to increase share capital as it was believed that it is in the best interest of shareholders for the company to have greater access to equity to enable them to exploit the current window of opportunity for external growth. The outcome of the vote was successful and the company also sought Baillie Gifford's opinions on the matter ahead of the shareholder meeting.	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.