

# Scottish Enterprise Pension And Life Assurance Scheme

Annual Report and Financial Statements for Year Ended  
31 March 2023

# Contents

	Page
Section 1 – Trustees and their Advisers	1
Section 2 – Trustees’ Report	3
Management of the Scheme	3
Scheme Membership	8
Report on Taskforce on Climate-related Financial Disclosures	9
Investment Report	10
Statement of Trustees’ Responsibilities	20
Further Information	21
Section 3 – Independent Auditor’s Report	23
Section 4 – Financial Statements	28
Section 5 – Notes to the Financial Statements	30
Section 6 – Independent Auditor’s Statement about Contributions	44
Section 7 – Summary of Contributions	45
Section 8 – Actuarial Certificate	46
Section 9 – Schedule of Contributions	47
Section 10 – Implementation Statement	50

## 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	-
Derek Ballantyne**	Senior Place Manager Scottish Enterprise	27/05/2011	-
Linda Ellison*	Pensioner	09/12/2020	-
Clair Alexander**	Head of Financial Accounting Scottish Enterprise	09/09/2020	-
Derek Shaw**	Director, Innovation and Place Scottish Enterprise	09/09/2020	-
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*	Investment Specialist Scottish Enterprise	10/06/2021	-
Aileen Hotchkiss**	Head of Business Support Partnership Scottish Enterprise	09/12/2021	-

\* Member Nominated Trustees

\*\*Company Appointed Trustees

## Section 1 - Trustees and their Advisers (continued)

### Advisers

The advisers to the Trustees are set out below:

<b>Actuary</b>	Calum Cooper, F.F.A. Hymans Robertson LLP
<b>Scheme Administrator</b>	Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB Email: <a href="mailto:SCENAdmin@hymans.co.uk">SCENAdmin@hymans.co.uk</a>
<b>Independent Auditor</b>	Johnston Carmichael LLP
<b>Banker</b>	Bank of Scotland plc
<b>Investment Adviser</b>	Isio Group Limited
<b>Insurer (for Group Life Assurance)</b>	MetLife
<b>Investment Managers</b>	Abrdn Investments (to May 2022) 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
<b>Legal Adviser</b>	Burness Paull LLP
<b>Pensions Consultants</b>	Hymans Robertson LLP
<b>Pension Scheme Registration</b>	10267679
<b>Pension Scheme Tax Reference</b>	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 2023. 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 £907,585,503 at 31 March 2022 to £570,880,980 at 31 March 2023. The decrease in net assets is accounted for by:

	2023 £	2022 £
Contributions and other income	13,679,401	13,229,041
Benefits and other payments	(24,123,191)	(25,607,247)
<b>Net withdrawals from dealings with members</b>	<b>(10,443,790)</b>	<b>(12,378,206)</b>
Net returns on investments	(326,260,733)	28,514,887
<b>Net (decrease)/increase in Scheme during the year*</b>	<b>(336,704,523)</b>	<b>16,136,681</b>
Net assets at start of year	907,585,503	891,448,822
<b>Net assets at end of year</b>	<b>570,880,980</b>	<b>907,585,503</b>

\*as explained in detail on page 12, 13 and 15 global markets experienced a period of heightened market volatility during the year to 31 March 2023. This contributed to a decrease in the overall net assets of the Scheme at 31 March 2023 by £336,704,523 (2022: increase £16,136,681). This was offset to an extent by a decrease in the value of the liabilities. All in all, this resulted in a drop to the funding level of the Scheme from 98% to 88% over the year to 31 March 2023. Further information on this movement can be found on page 6. A detailed breakdown of the asset movement can also be found in the Financial Statements disclosed in Section 4.

## Section 2 – Trustees’ Report (continued)

### 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.

### 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 2020, a Schedule of Contributions was agreed and certified by the Scheme Actuary on 10 June 2021. A revised Schedule of Contributions will be certified following the 31 March 2023 actuarial valuation. The work for the 31 March 2023 actuarial valuation is underway and is not expected to be finalised for this set of accounts.

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

As explained on pages 11, 13 and 15, it is likely that market volatility will persist for some time yet.

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 has confirmed with the Scheme Administrator that it has 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.

## 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 2022; no increases were applied to Pre 88 GMP\*, Post 88 GMP and all excess benefits were increased by 3.1%.

\*Members with State Pension Age (“SPA”) beyond 6 April 2016 received a 3.1% increase on Pre 88 GMP.

There were no discretionary increases to pensions in payment or to preserved pensions during the year (2022: 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 Trustees reviewed the transfer value basis following finalisation of the Scheme's formal actuarial valuation as at 31 March 2020. The new basis was effective from 1 July 2021.

The Scheme received no transfers from other pension schemes for the year to 31 March 2023 (2022: nil).

### Guaranteed Minimum Pension (“GMP”)

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 and will be considering next steps in due course.

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 2020, the Trustees have included a 1% loading to the Scheme's technical provisions to account for GMP equalisation and this is considered immaterial. The same loading will be applied for the actuarial valuation as at 31 March 2023, which is currently underway.

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 however it has not been possible to estimate the financial impact at the Scheme year end.

## Section 2 – Trustees’ Report (continued)

### Actuarial Position

The latest actuarial valuation of the Scheme was carried out at 31 March 2020, 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 10 June 2021, that the calculation of the Scheme’s technical provisions as at 31 March 2020 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 2020	31 March 2021	31 March 2022	31 March 2023*
	£ million	£ million	£ million	£ million
The Statutory Funding Objective (SFO) in relation to the liabilities:	785.7	894.1	928.2	650.8
Valuation of the assets:	791.4	891.4	907.6	570.9
Surplus/(deficit) relative to the SFO:	5.7	(2.7)	(20.6)	(79.9)
Funding level:	101%	100%	98%	88%

\*as required by legislation, the Trustees will receive a full actuarial valuation from the Scheme Actuary as at 31 March 2023. This will result in a more detailed analysis of the funding position as at 31 March 2023 and therefore the figures quoted at this date in the table above are subject to change.

Between 31 March 2022 and 31 March 2023, the Scheme Actuary estimates that the funding position of the Scheme has deteriorated to around 88%, adopting a consistent approach to the March 2020 valuation, as is required. Whilst rising interest rates caused a reduction in the value of the Scheme’s liabilities, this was more than offset by a decrease in the value of the Scheme’s assets. This was largely due to the ‘mini-budget’ statement by the UK Chancellor on 23 September 2022 that led to significant turbulence in investment markets. This had an impact on pension funds across the UK, including the Scheme. Further information on this can be found on page 15.

The Trustees are aware of the position and remain focused on their long-term objective – to pay all pensions on time and in full. As a result, the Trustees are currently working with the Scheme Actuary, their investment advisers and the Company to conduct an in depth strategy review as part of the actuarial valuation. This will allow for changes in the financial landscape which have acted to improve the sustainability of the scheme materially since end March 2023. Overall, this strategy review will ensure the Scheme continues to be a sustainable, relevant and secure scheme for current and future generations.

As part of the actuarial valuation as at 31 March 2020, the Company and the Trustees agreed a contribution rate of 26% of monthly pensionable salary roll from 1 April 2021 until 31 March 2024. It was agreed that contributions from 1 April 2024 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.



## Section 2 – Trustees’ Report (continued)

### Actuarial Position (continued)

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 October 2022 and posted to deferred and pensioner members of the Scheme in December 2022.

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

### Actuarial Assumptions

Retail Price Index (“RPI”) increases	Market implied RPI curve
Consumer Price Index (“CPI”) increases	Prior to 31 March 2021: RPI curve less 0.75% p.a. From 31 March 2021: 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 plus 1.65% p.a. for the period from 1 April 2020 to 31 March 2023, reverting to CPI plus 1% p.a. thereafter, plus promotional scale
Pre-retirement discount rate	Market implied gilt yield curve plus 1.35% p.a.
Post retirement discount rate	Market implied gilt yield curve plus 1.35% p.a.
Longevity base tables	2019 VITA tables
Longevity future improvements	CMI 2019 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.
Pre-retirement mortality	120% of the PNXA00 standard tables
GMP equalisation	1% loading added to liabilities

### Preliminary Actuarial Assumptions as at 31 March 2023 (where assumptions differ to that above)

Salary increases	CPI curve less 4% p.a. for the period from 1 April 2023 to 31 March 2024, reverting to CPI plus 1% p.a. thereafter, plus promotional scale
Longevity base tables	2022 VITA tables
Longevity future improvements	CMI 2021 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.

Section 2 – Trustees’ Report (continued)

## Scheme Membership

The reconciliation of the Scheme membership during the year ended 31 March 2023 is shown below:

<b>Pensioner Members (including Spouses and Dependants)</b>	
<b>As at 1 April 2022</b>	<b>1,574</b>
<b>Plus:</b> Retirements – from active	32
Retirements – from preserved	49
New spouses and dependants	13
<b>Less:</b> Deaths	(40)
Childrens’ pensions ceasing	(4)
<b>Pensioner Members as at 31 March 2023</b>	<b>1,624</b>

<b>Members With Preserved Benefits</b>	
<b>As at 1 April 2022</b>	<b>1,020</b>
<b>Plus:</b> Employees leaving with deferred pensions	34
<b>Less:</b> Retirements	(49)
Transfers out	(5)
Deaths	(2)
Full commutations	(3)
<b>Members with Preserved Benefits as at 31 March 2023</b>	<b>995</b>

<b>Active Members</b>	
<b>As at 31 March 2022</b>	<b>1,050</b>
Late notifications*	(4)
<b>As at 1 April 2022</b>	<b>1,046</b>
<b>Plus:</b> New joiners	81
<b>Less:</b> Retirements	(32)
Leavers with deferred pension entitlements	(34)
Leaver options	(4)
Transfer out	(1)
<b>Active Members as at 31 March 2023</b>	<b>1,056</b>

\*late notifications are caused due to timing differences between the date of an event against when the Administration team receive notification of the event.

Section 2 – Trustees' Report (continued)

## Scottish Enterprise Pension And Life Assurance Scheme Report on Taskforce on Climate-related Financial Disclosures for the year ended 31 March 2023

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 for the year ended 31 March 2023.

This report 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 Abrdn Investments (to May 2022) ("Abrdn"), 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 (£)	%
<b>Return Seeking Assets:</b>	<b>384,432,010</b>	<b>71.4</b>
Equities (UK, overseas and emerging markets)	94,286,339	17.5
Diversified Growth Funds	18,354,321	3.4
Multi-Asset Credit	53,938,040	10.0
Property	34,434,850	6.4
Long Lease Property	51,044,272	9.5
Private Equity	6,438,434	1.2
Semi-Liquid Credit	42,369,556	7.9
Direct Lending	32,770,885	6.1
Junior Infrastructure Debt	38,493,877	7.2
Infrastructure Equity	12,301,436	2.3
<b>Matching Assets:</b>	<b>153,717,007</b>	<b>28.6</b>
LDI	153,717,007	28.6
<b>Total</b>	<b>538,149,017</b>	<b>100.0</b>

Source: 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, property funds, and infrastructure funds.

#### Investment Policy and Management

At the May 2022 Investment Committee (“IC”) meeting, Isio proposed an alternative investment strategy which restructured the Scheme’s existing mandates to achieve a gilts + 3.3% return, in line with the Actuary’s return requirement. The new strategic benchmark was formally agreed at the June 2022 Trustee meeting. This provided an expected return of gilts + 3.3% by adding to existing allocations (infrastructure equity) and providing scope for BlackRock to take on more active positions within Liability Driven Investments (“LDI”). At the November 2022 IC meeting, the Scheme’s investment strategy was discussed in light of the dramatic shift in the market environment following the UK Government’s ‘mini-budget’ announcement in September 2022. Isio and the Scheme Actuary have agreed to explore the investment and funding regime as part of 2023 formal actuarial valuation. This will be progressed over 2023.

## 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 2023 are as follows:

Manager	Mandate	Actual (%)	Benchmark (%)	Variance (%)
Baillie Gifford	Global Active Environmental, Social and Governance (“ESG”) Equities	5.0	5.0	-
Baillie Gifford	Global Active Impact ESG Equities	2.3	2.0	0.3
BlackRock	Global Passive ESG Equities	6.3	6.5	(0.2)
BlackRock	Emerging Market Equities	3.8	3.0	0.8
Baillie Gifford	Diversified Growth	3.4	11.0	(7.6)
BlackRock	Balanced Property	6.4	2.5	3.9
BlackRock	Long Lease Property	9.5	7.5	2.0
BlackRock	Liability Driven Investment	28.6	31.0	(2.4)
CQS	Multi-Asset Credit	10.0	8.0	2.0
Pantheon	Private Equity	1.2	1.0	0.2
Apollo	Semi-Liquid Credit	7.9	7.5	0.4
Partners Group	Direct Lending	6.1	5.0	1.1
Patrizia	Junior Infrastructure Debt	7.1	5.0	2.1
BlackRock	Infrastructure Equity	1.1	2.5	(1.4)
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)

The Scheme’s investment strategy is currently under review as part of the 2023 actuarial valuation. As at 31 March 2023, the proportion of Scheme assets invested in Balanced Property, Direct Lending, Equity (global active ESG, global passive ESG, and emerging markets), Long Lease Property, Multi Asset Credit, Private Equity, Junior Infrastructure Debt and Semi-liquid Credit were, 3.9%, 1.1%, 0.9%, 2.0%, 2.0%, 0.2%, 2.1% and 0.4% higher, respectively, than the Trustees’ existing benchmark. Correspondingly, the allocations to Diversified Growth, Liability Driven Investment and Infrastructure Equity were (7.6%), (2.4%) and (2.6%) 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 -37.5% net of fees during the twelve month period to 31 March 2023, against the benchmark return of -27.2%. Negative absolute performance was driven by the Scheme’s BlackRock Liability Driven Investment (“LDI”) portfolio as it was impacted by the significant volatility in the UK gilt market following the UK Government’s announcement of an unfunded fiscal package at the end of September 2022. Amidst a challenging market backdrop, which was characterised by rising interest rates and a global inflationary environment, the Scheme’s growth assets performed poorly, particularly the Scheme’s property mandates, where rising interest rates negatively impacted asset valuations.

The key contributors to the Scheme’s relative underperformance over the year were the Diversified Growth, the Balanced Property and the Multi-Asset Credit mandates. The Baillie Gifford Diversified Growth fund suffered from the sell-off over 2022, and was particularly impacted by the decline in ‘growth’ style equities. The Diversified Growth mandate’s main contributors to negative performance over the period were the fund’s listed equities, property, absolute return bonds, and commodities sleeves. The Scheme’s Multi-Asset Credit mandate delivered negative returns due to the rising interest rate environment as central banks affirmed their commitment to fighting inflation.

Over the three year period to 31 March 2023, the Scheme (excluding private markets) returned -10.0% p.a., against a benchmark of -6.0% p.a.. Relative performance over this time period was heavily influenced by the inflationary and rising interest rate environment.

	12 months ending 31 March 2023 (%)	3 years ending 31 March 2023 (%p.a.)
Scheme	(37.5)	(10.0)
Benchmark	(27.2)	(6.0)

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 2023, 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	(5.3)	(4.9)
BlackRock (ESG Equity)	MSCI World ESG Focus Low Carbon Screened Index	(3.9)	(4.4)
Baillie Gifford Positive Change	MSCI ACWI Index	(6.5)	1.1
Baillie Gifford Global Alpha Paris Aligned (“GAPA”)	MSCI ACWI Index	(5.7)	1.1
Baillie Gifford (DGF)	UK Base Rate + 3.5% p.a.	(8.8)	5.8
BlackRock (LDI)	Liability Cashflow	(86.7)	(86.7)
BlackRock (Property)	IPD All Balanced Index + 1.0% p.a. (net)	(15.7)	(13.5)
CQS	SONIA + 4% p.a. (net)	(5.2)	6.3
BlackRock (Long Lease Property)	RPI + 2.5% p.a. (net)	(12.4)	16.3
Apollo	SONIA + 5.3% p.a. (net)	(0.1)	7.6
Partners Group	SONIA + 4% p.a. (net)	1.9	6.3
Patrizia	SONIA + 4% (net)	4.3	6.3
IFM Global Infrastructure Fund <sup>1</sup>	Net IRR of 10%	-	-
BlackRock (Global Renewable Power Fund III) <sup>2</sup>	9 – 10% net IRR	-	-
<b>Total (ex Private Equity)</b>	<b>Composite</b>	<b>(37.5)</b>	<b>(27.2)</b>

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.

<sup>1</sup> 12-month performance is unavailable as mandate was incepted after 31 March 2022.

<sup>2</sup> Performance data is unavailable for this mandate as the Fund is still in ramp-up phase.



## 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: [Accessing our information - Scottish Enterprise \(scottish-enterprise.com\)](https://www.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

Since the start of the accounting period, there has been a material shift in the market environment. A new strategic benchmark was formally agreed at the June 2022 Trustee meeting. This provided an expected return of gilts + 3.3%, achieved by adding to the existing infrastructure equity allocation and providing scope for BlackRock to take on more active positions within LDI. The strategic benchmark also included reducing the BlackRock Balanced Property Fund's allocation from 5% to 2.5% of Scheme assets.

Due to gilt yield volatility over the calendar year to early September 2022, the Trustees held a conference call in early September to discuss contingency planning to mitigate the challenging conditions. This included prioritising how assets are used to support the hedge with BlackRock and maintain liquidity. The Trustees agreed a three-tier plan. Level 1 involved trimming growth assets; Level 2 involved sourcing proceeds from the Baillie Gifford DGF mandate; and, Level 3 involved reducing the hedge.

Following this, UK gilt yields surged due to the 'mini-budget' statement by the UK Chancellor on 23 September 2022. Following these unprecedented movements, and further volatility in early October, the Trustees agreed to reduce the Scheme's hedge with BlackRock from 65% to 35% on a gilts basis mid-October, in line with the agreed contingency approach. This was necessary to avoid a forced removal of the hedge by the LDI manager and to ensure there was sufficient collateral to mitigate any further increases in gilt yields.

Yields movements resulted in capital being transferred to the LDI portfolio to support the hedge. Over the year, the Trustees instructed the transfer of c.£203m to BlackRock to bolster the LDI position. Capital was sourced from the Semi-Liquid Credit, Diversified Growth, Equity and Infrastructure mandates. The Scheme also instructed the sale of remaining assets from the BlackRock Balanced Property Fund. Funds from the instructed Apollo and IFM redemptions were received in early-January 2023.

## Section 2 – Trustees’ Report (continued)

### Investment report (continued)

#### Investment Activity (continued)

In Q4 2022, BlackRock communicated to investors that they would be deferring redemptions from the BlackRock Balanced Property Fund due to the significant volume of requests made by clients. BlackRock expect to settle proceeds through an orderly sale of assets. Post-reporting period, in April 2023, the Scheme received c. 22% of the June redemption value. Remaining proceeds are expected over the remainder of 2023.

A new strategic benchmark will be developed as part of the 2023 actuarial valuation review.

#### 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 (“ESG”) 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 included 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 Q1 2023.

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 with the objective of preserving and enhancing long term shareholder value. 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. 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 manager’s 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.	<ul style="list-style-type: none"> <li>• Selecting an investment objective that is achievable and is consistent with the Scheme’s funding basis and the sponsoring company’s covenant strength.</li> <li>• Investing in a diversified portfolio of assets.</li> </ul>
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> <li>• Funding risk is considered as part of the investment strategy review and the actuarial valuation.</li> <li>• 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.</li> </ul>
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

## 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	<ul style="list-style-type: none"> <li>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.</li> <li>The Scheme’s investment managers are invited, in person, to present to the Trustees on their performance, strategy and risk exposures.</li> </ul>	<ul style="list-style-type: none"> <li>There are significant changes made to the investment strategy.</li> <li>The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees’ expectations.</li> <li>Underperformance vs the performance objective over the period that this objective applies.</li> </ul>
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> <li>The Trustees’ investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.</li> <li>The Trustees receive information from their investment advisers on the investment managers’ approaches to engagement.</li> </ul>	<ul style="list-style-type: none"> <li>The manager has not acted in accordance with their policies and frameworks.</li> <li>The manager’s policies are not in line with the Trustees’ policies in this area.</li> </ul>

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 (2022: 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 Procedures

It is a requirement of the Pensions Act 1995 that the Trustees of all occupational pension schemes must have Internal Dispute Resolution (“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 member booklets.

#### 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

The Pensions Regulator (“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](http://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](http://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](mailto:enquiries@pensions-ombudsman.org.uk)

Website: [www.pensions-ombudsman.org.uk](http://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:

Pension Tracing Service

The Pension Service 9

Mail Handling Site A

Wolverhampton

WV98 1LU

Website: [www.gov.uk/find-pension-contact-details](http://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:

A Gray

Trustee

D Ballantyne

Trustee

28 September 2023

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 2023 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 2023, 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 (ie. 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.

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 2023

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>£</b>	<b>£</b>
<b>Contributions and Benefits</b>			
Contributions – Employer	4	<b>13,361,884</b>	12,775,565
– Members	4	<b>316,407</b>	304,933
Other income	5	<b>1,110</b>	148,543
		<b>13,679,401</b>	13,229,041
Benefits paid or payable	6	<b>(22,198,289)</b>	(22,998,653)
Payments to and on account of leavers	7	<b>(615,503)</b>	(1,241,238)
Life assurance premiums	8	<b>(238,351)</b>	(239,199)
Administrative expenses	9	<b>(1,071,048)</b>	(1,128,157)
		<b>(24,123,191)</b>	(25,607,247)
<b>Net withdrawals from dealings with members</b>		<b>(10,443,790)</b>	(12,378,206)
<b>Returns on Investments</b>			
Investment income	10	<b>10,144,634</b>	8,620,691
Change in market value of investments	12	<b>(335,343,764)</b>	21,804,132
Investment management expenses	13	<b>(1,061,603)</b>	(1,909,936)
<b>Net returns on investments</b>		<b>(326,260,733)</b>	28,514,887
<b>Net (decrease)/increase in the Scheme during the year</b>		<b>(336,704,523)</b>	16,136,681
<b>Net assets at the start of the year</b>		<b>907,585,503</b>	891,448,822
<b>Net assets at the end of the year</b>		<b>570,880,980</b>	907,585,503

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 2023**

	<b>Note</b>	<b>2023</b>	2022
		£	£
<b>Investment assets</b>	12		
Pooled investment vehicles		<b>538,149,017</b>	876,775,873
Other investment balances		<b>2,048,256</b>	2,185,748
		<b>540,197,273</b>	878,961,621
Current assets	14	<b>30,897,899</b>	30,118,599
Current liabilities	15	<b>(214,192)</b>	(1,494,717)
Closing net assets of the Scheme available for benefits		<b>570,880,980</b>	907,585,503

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 page 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:

**A Gray**

Trustee

**D Ballantyne**

Trustee

**28 September 2023**

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 2023

#### 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 considered the impact of the financial uncertainty noted in the Investment Report and 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.

##### Individual transfers

Individual transfers to and 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.



**Notes to the financial statements for the year ended 31 March 2023 (continued)**

**3 ACCOUNTING POLICIES (continued)**

**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 denoted in US dollars ("USD") and Euros ("EUR") for investment transactions.

The presentational currency is pounds sterling ("GBP").

**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 2023 (continued)**

**4 CONTRIBUTIONS**

	<b>2023</b>	2022
	£	£
<b>Employers:</b>		
Normal	<b>145,456</b>	119,832
Salary Sacrifice	<b>13,216,428</b>	12,655,733
	<b>13,361,884</b>	12,775,565
<b>Members:</b>		
Normal	<b>43,637</b>	35,949
Additional Voluntary Contributions	<b>272,770</b>	268,984
	<b>316,407</b>	304,933
	<b>13,678,291</b>	13,080,498

Normal contributions and salary sacrifice due under the Schedule of Contributions certified by the Scheme Actuary on 10 June 2021.

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**

	<b>2023</b>	2022
	£	£
Transfer calculation fees	<b>1,110</b>	763
Lump sum death benefits	-	147,780
	<b>1,110</b>	148,543

## Notes to the financial statements for the year ended 31 March 2023 (continued)

**6 BENEFITS PAID OR PAYABLE**

	<b>2023</b>	2022
	£	£
Pensions	<b>17,715,582</b>	16,476,774
Commutations and lump sum retirement benefits	<b>4,331,985</b>	6,218,752
Taxation where lifetime or annual allowances are exceeded	<b>42,215</b>	109,563
Lump sum death benefits	<b>108,507</b>	193,564
	<b>22,198,289</b>	22,998,653

**7 PAYMENTS TO AND ON ACCOUNT OF LEAVERS**

	<b>2023</b>	2022
	£	£
Individual transfers to other schemes	<b>615,503</b>	1,241,238

**8 LIFE ASSURANCE PREMIUMS**

	<b>2023</b>	2022
	£	£
Life assurance premiums	<b>238,351</b>	239,199

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

**Notes to the financial statements for the year ended 31 March 2023 (continued)**
**9 ADMINISTRATIVE EXPENSES**

	<b>2023</b>	2022
	£	£
Administration, actuarial and investment consultancy	<b>961,923</b>	1,005,530
Audit fee	<b>14,180</b>	25,000
Legal and other professional fees	<b>76,947</b>	80,289
Independent Trustee fees and expenses	<b>17,998</b>	17,338
	<b><u>1,071,048</u></b>	<u>1,128,157</u>

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.

The decrease in in the audit fee the current year is due to an over accrual for the audit fee at 31 March 2022.

**10 INVESTMENT INCOME**

	<b>2023</b>	2022
	£	£
Pooled investment vehicles	<b>9,695,267</b>	8,509,562
Interest on cash deposits	<b>302,928</b>	15,409
Currency exchange	<b>146,439</b>	95,720
	<b><u>10,144,634</u></b>	<u>8,620,691</u>

**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 2022	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2023
	£	£	£	£	£
Pooled investment vehicles	876,775,873	216,453,410	(219,736,502)	(335,343,764)	<b>538,149,017</b>
Other investment balances	<u>2,185,748</u>				<u><b>2,048,256</b></u>
	<u>878,961,621</u>				<u><b>540,197,273</b></u>

**Notes to the financial statements for the year ended 31 March 2023 (continued)**
**12 INVESTMENTS**
**12.1 INVESTMENT RECONCILIATION (CONTINUED)**

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.

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.

<b>Other Investment Balances</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Cash deposits	<b>482,057</b>	422,480
Accrued investment income	<b>1,566,199</b>	1,408,364
Tax recoverable	-	81,149
Other cash items	-	273,755
	<b>2,048,256</b>	<b>2,185,748</b>

**Concentration of Investments**

The following pooled investment vehicles, account for more than 5% of the Scheme's net assets as at 31 March 2023 and 31 March 2022:

	<b>2023</b>		<b>2022</b>	
	<b>Market value</b>	<b>%</b>	<b>Market value</b>	<b>%</b>
	<b>£</b>		<b>£</b>	
LIABILITY SOLUTIONS FUNDS II CINAC	<b>153,717,007</b>	<b>27</b>	240,162,087	26
CQS Credit Multi Asset Fund	<b>53,938,040</b>	<b>9</b>	107,968,281	12
BlackRock UK Long Lease Property Fund	<b>51,044,272</b>	<b>9</b>	61,199,382	7
Apollo Total Return Fund	<b>42,369,556</b>	<b>7</b>	57,901,526	6
Patrizia – Infrastructure Debt Partners	<b>38,493,877</b>	<b>7</b>	37,141,961	4
BlackRock – Balanced Property	<b>34,434,850</b>	<b>6</b>	41,975,949	5
BlackRock ACS World ESG Tracker Fund	<b>33,839,813</b>	<b>6</b>	59,262,037	7
Partners – Direct Lending	<b>32,770,885</b>	<b>6</b>	35,976,579	4
Baillie Gifford Global Alpha Paris-Aligned Fund	<b>27,162,203</b>	<b>5</b>	45,681,318	5
Baillie Gifford Diversified Growth Pension Fund	<b>18,354,321</b>	<b>3</b>	119,755,752	13

**Notes to the financial statements for the year ended 31 March 2023 (continued)**

**12.2 POOLED INVESTMENT VEHICLES (PIV)**

The holdings of pooled investment vehicles are analysed below:

	<b>2023</b>	2022
	£	£
Venture capital funds	<b>6,438,434</b>	7,498,713
Property funds	<b>85,479,122</b>	103,175,330
Growth and growth fixed income unit trusts	<b>292,514,454</b>	525,939,744
Gilt unit trusts	<b>153,717,007</b>	240,162,086
	<b><u>538,149,017</u></b>	<u>876,775,873</u>

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	\$6,426,508	\$7,573,492

**Pantheon Ventures Limited**

Maximum committed	Drawn down	Potential further commitment
£55,326,105	£51,434,739	£3,891,366

**Patrizia Infrastructure Ltd**

Maximum committed	Drawn down	Potential further commitment
£40,000,000	£35,277,376	£4,722,624

**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 2023 (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:

<b>As at 31 March 2023</b>	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
	<b>2,048,256</b>	<b>405,774,829</b>	<b>132,374,188</b>	<b>540,197,273</b>

  

As at 31 March 2022	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	736,271,910	140,503,963	876,775,873
Other investment balances	2,185,748	-	-	2,185,748
	<b>2,185,748</b>	<b>736,271,910</b>	<b>140,503,963</b>	<b>878,961,621</b>

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.

### 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.

**Notes to the financial statements for the year ended 31 March 2023 (continued)**

**12.4 INVESTMENT RISKS (continued)**

- 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 AVC investments or 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.

The 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 is to hold broadly:

- |   |   |
|---|---|
| - 16.5% in global equities                    | -31.0% in a matching portfolio comprising LDI funds |
| - 11.0% in diversified growth funds           | - 8.0% in a multi-asset credit fund                 |
| - 2.5% in a balanced property fund            | - 7.5% in a long lease property fund                |
| - 1.0% in private equity funds                | - 5.0% in a direct lending fund                     |
| - 7.5% in a semi-liquid credit fund           | - 5.0% in a junior infrastructure debt fund         |
| - 5.0% in infrastructure and renewables funds |   |

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.



**Notes to the financial statements for the year ended 31 March 2023 (continued)****12.4 INVESTMENT RISKS (continued)****Credit Risk**

Pooled investment arrangements used by the Scheme comprise open ended investment companies and authorised unit trusts. 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 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:

	2023 £	2022 £
Open ended investment companies	179,533,263	392,294,089
Unit-linked insurance contracts	-	8,139,118
Authorised unit trust	239,196,129	343,337,416
Cayman Islands exempted company	42,369,556	57,901,526
Public limited liability company	32,770,885	35,976,579
Closed-ended alternative investment fund	38,493,877	37,141,960
Special Limited Partnership	5,785,307	1,985,185
<b>Total</b>	<b>538,149,017</b>	<b>876,775,873</b>

**Notes to the financial statements for the year ended 31 March 2023 (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. The Scheme's equity funds with Baillie Gifford and BlackRock fall under this category, as do the pooled private equity funds, semi-liquid credit, multi-asset credit fund, infrastructure and private debt fund managed by Pantheon, Apollo, CQS, BlackRock, IFM, 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 and Apollo semi-liquid credit mandates. 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 2023 (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 2023 and 31 March 2022:

Fund Name	Credit risk	Currency risk	Interest rate risk	Other price risk	Value 31 March 2023	Value 31 March 2022
Abrdn Investments – Diversified Growth	x	x	x	x	-	8,139,119
Apollo - Semi-Liquid Credit	x	-	x	x	42,369,556	57,901,526
Baillie Gifford - Global Alpha Paris-Aligned	-	x	-	x	27,162,203	45,681,318
Baillie Gifford - Positive Change	-	x	-	x	12,586,419	17,270,510
Baillie Gifford - Diversified Growth	x	x	x	x	18,354,321	119,755,752
BlackRock - ESG Tracker	-	x	-	x	33,839,813	59,262,037
BlackRock - EM Equity	-	x	-	x	20,697,904	34,857,479
BlackRock - Balanced Property	x	-	-	x	34,434,850	41,975,949
BlackRock – Long Lease Property	x	-	x	x	51,044,272	61,199,382
BlackRock – Liability Driven Investment	x	-	x	x	153,717,007	240,162,087
BlackRock – Infrastructure Equity	x	-	x	x	5,785,307	1,985,181
IFM - Infrastructure Equity	x	-	x	x	6,516,129	-
CQS – Multi-Asset Credit	x	x	x	x	53,938,040	107,968,281
Pantheon - Private Equity	x	x	-	x	6,438,434	7,498,713
Partners Group - Direct Lending	x	x	x	x	32,770,885	35,976,579
Patrizia – Junior Infrastructure Debt	x	-	x	-	38,493,877	37,141,960
<b>Total</b>					<b>538,149,017</b>	<b>876,775,873</b>

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

**13 INVESTMENT MANAGEMENT EXPENSES**

	2023	2022
	£	£
Administration, management and custody	<u>1,061,603</u>	<u>1,909,936</u>

**Notes to the financial statements for the year ended 31 March 2023 (continued)****14 CURRENT ASSETS**

	<b>2023</b>	2022
	<b>£</b>	£
Cash in bank	<b>29,651,371</b>	30,118,599
Benefits paid in advance	<b>1,246,493</b>	-
Other prepayments	<b>35</b>	-
	<b><u>30,897,899</u></b>	<u>30,118,599</u>

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

**15 CURRENT LIABILITIES**

	<b>2023</b>	2022
	<b>£</b>	£
Amounts due to Employer	-	29,861
Accrued benefits payable	<b>50,869</b>	157,535
Accrued fees payable	<b>163,323</b>	1,307,321
	<b><u>214,192</u></b>	<u>1,494,717</u>

**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 2022 to 31 March 2023, seven Trustees were contributing members of the Scheme (2022: seven) and one Trustee was a deferred member (2022: 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 (2022: 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 £16,908 in the year under review (2022: £15,934).

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 £17,998 (2022: £17,338) which can be found in Note 9.

During the prior year, the Employer overpaid contributions to the Scheme by £29,861 so that as at 31 March 2022, £29,861 was due back to the Employer as shown in Note 15. This was settled in August 2022 and did not impact the year end 31 March 2023.

**Notes to the financial statements for the year ended 31 March 2023 (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 and will be considering next steps in due course.

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 2020, the Trustees have included a 1% loading to the Scheme's technical provisions to account for GMP equalisation and this is considered immaterial. The same loading will be applied for the actuarial valuation as at 31 March 2023, which is currently underway.

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 however it has not been possible to estimate the financial impact at the Scheme year end.

**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. It is unknown at this stage whether the case will be appealed but, as matters stand, the case has the potential to have a significant impact on the pensions industry. The Trustees will keep this issue under review. It is not possible at present to estimate the potential impact, if any, on the Scheme.

There were no other subsequent events requiring disclosure in the financial statements (2022: £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 2023 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 2023 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 10 June 2021.

### **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 Schedule 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 Schedule 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 Schedule of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule 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 2023, the contributions payable to the Scheme under the Schedule of Contributions were as follows:

	<b>Employers</b>	<b>Members</b>
	<b>£</b>	<b>£</b>
<b>Employers</b>		
Normal	145,456	-
Salary sacrifice	13,216,428	-
<b>Members</b>		
Normal	-	43,637
<b>In accordance with the Schedules of Contributions</b>	<b>13,361,884</b>	<b>43,637</b>
<b>Other contributions payable</b>		
Additional voluntary contributions	-	272,770
<b>Total (as per Fund Account)</b>	<b>13,361,884</b>	<b>316,407</b>

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

A Gray

Trustee

D Ballantyne

Trustee

28 September 2023

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 2020 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 1 June 2021.

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	 DocuSigned by: 4F76AD28E5894FC...
Date	10-Jun-2021   10:30 BST
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 1 June 2021 and applies from 1 April 2021 until 31 March 2029. It replaces the previous schedule dated 7 December 2017.

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<sup>1</sup>.

#### 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 24% of monthly pensionable salary roll up to 31 March 2021
- contributions at the rate of 26% of monthly pensionable salary roll from 1 April 2021 to 31 March 2024
- contributions from 1 April 2024 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 2024 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 2024

"Success" is determined by being fully funded on a gilts basis in 30 years' time, at the time of certification. All contributions are a % p.a. and net of any contribution payable by members.

## Section 9 – Schedule of Contributions (continued)

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 nine months prior to their respective 1 April application. All assumptions will be consistent with the Statement of Funding Principles dated 1 June 2021, 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.

### **Sponsor deficit reduction contributions**

The 31 March 2020 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.

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.

## Section 9 – Schedule of Contributions (continued)

**Prepared by the Trustees of the Scheme**

Signature .....  ..... on behalf of the Trustees  
Print name ..... **ALISTAIR GRAY** ..... Position..... **Chair of Trustee Board**  
Date ..... **10-Jun-2021 | 10:20 BST** .....

**Agreed by the sponsor**

Signature .....  ..... on behalf of Scottish Enterprise  
Print name ..... **Douglas Colquhoun** ..... Position..... **Chief Financial Officer**  
Date ..... **09-Jun-2021 | 03:19 PDT** .....

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

## Section 10 – Implementation Statement

Provided separately.