Scottish Enterprise Pension and Life Assurance Scheme:

Implementation Report

September 2024

Background and Implementation Statement

Background

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

Statement of Investment Principles (SIP)

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

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

The SIP can be found online at the web address Statement Of Investment Principles | Scottish Enterprise (sepensions.co.uk)

Implementation Report

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

- actions the Trustees have taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustees have followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 March 2024 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

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

Implementation Statement

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

Signed:

Position:

Date:

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	Prior to August 2022, the policy was to hedge 65% of movements in interest rates and inflation on a flat gilts basis. This policy is being reviewed following the agreement of the 2023 valuation approach.	The Trustees reduced the LDI hedge to 35% on a gilts basis during mid-October 2022, following unprecedented gilt market volatility. Over the reporting period, the Trustees implemented an allocation to index-linked gilts to increase the interest rate and inflation hedge (which is estimated to be c.45% on a gilts flat basis).
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	The Trustees regularly monitor the collateral and liquidity position to reduce the impact of this risk via quarterly reporting provided by their investment consultant. As part of the de-risking activity during Q3 2023, the Trustees implemented a new allocation to short-duration credit (c.5% of Scheme assets) which provides daily liquidity and additional collateral resilience to the LDI portfolio.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Trustees agreed to explore options to de-risk the investment strategy as the Scheme Actuary's required return decreased to Gilts + 1.9% (as at 31 May 2023), following the rise in gilt yields over 2023. The de-risking activity reduced the Scheme's equity exposure in favour of bonds, and was completed in three tranches over Q3 2023.

Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	The Trustees implemented an allocation to index-linked gilts and short-duration credit over the reporting period. The Trustees also agreed to replace the DGF allocation with a new ABS mandate, which was implemented post reporting period.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustees monitor the mangers on an ongoing basis.	The Trustees undertook the Scheme's Annual Sustainability Integration Assessment in Q2 2024. The purpose of the assessment was to evaluate the investment managers' approach to integrating ESG factors and suggest actions for improvement. The Scheme's investment advisor Isio then communicates these proposed actions to the Scheme's investment managers on the Trustees' behalf.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.	
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	

Changes to the SIP

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

Policies added to the SIP	
Date updated: August 2023	
Leverage and collateral management	• The Trustees will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) portfolio. Further details on this can be found in Appendix 3 of the SIP. • The Trustees have a stated collateral management policy/framework. The Trustees have agreed a process for meeting collateral calls should these be made by the Scheme's LDI investment manager. The Trustees will review and stress test this framework on a regular basis.
Voting policy – How the Trustees expect investment managers to vote on their behalf	• The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

Engagement policy – How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'	• The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.
	• The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually.
	• Example stewardship activities that Trustees have considered are listed below:
	    o Selecting and appointing asset managers – the Trustees will consider potential managers' stewardship policies and activities.
	    o Asset manager engagement and monitoring – on a regular basis, the Trustees assess the voting and engagement activity of their asset

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

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

Current ESG policy and approach

ESG as a financially material risk

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

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

Implementing the Current ESG Policy

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

ESG summary and engagement with the investment managers

Manager, fund	ESG Summary	Actions identified	Engagement with manager commentary
Baillie Gifford Global Alpha Paris-Aligned	The Fund is a variation of the Baillie Gifford ('BG') Global Alpha strategy. The parent fund is adjusted in order to screen out carbon intensive companies from the portfolio. The Fund has a commitment to lowering carbon intensity and this is assessed by having a lower greenhouse gas intensity than the MSCI ACWI EU Paris Aligned Requirements Index (which itself has an intensity 50% lower than the MSCI ACWI, with a 7% year-on-year decarbonisation pathway).	Baillie Gifford could consider introducing specific social objectives for the Fund and an ESG scorecard to be used within their investment framework. Baillie Gifford could use ESG scoring for assets held within the portfolio to aid with the identification and monitoring or ESG risks. The introduction of climate scenario analysis could enhance identification of climate risks. Baillie Gifford should extend ESG reporting within quarterly client reports to include key ESG metrics on a fund level basis. In addition, engagements with portfolio companies could be run by a centralised team to provide oversight and coordinate engagements across the firm.	Isio engaged with Baillie Gifford on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the Baillie Gifford engagements.
Baillie Gifford Positive Change	This Fund is an impact strategy, which has two dual objectives: to deliver attractive investment returns and to deliver a positive change by contributing toward a more sustainable and inclusive world. The Fund aims to achieve the second goal by investing in firms which sit within four key themes: Social Inclusion and Education; Environment and Resource Needs;	Similar to the Global Alpha Fund, Baillie Gifford should consider the following actions: introduce an ESG scorecard within their investment framework; use ESG scoring for assets held within the portfolio; develop climate scenario analysis to aid identification of climate risks; develop a central team to provide oversight over the firm's engagements with portfolio companies and include ESG metrics within	Isio engaged with Baillie Gifford on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the Baillie Gifford engagements.

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

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

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

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

	assessment approach, with quantifiable metrics and targets at Fund level. Reporting is now TCFD and SFDR aligned but there is potential for more detail in fund-level ESG metrics scoring and reporting, especially for social scoring.	reported carbon metrics for the Fund. IFM should also report social metrics at fund-level despite having social areas of ESG risk embedded into the ERM framework.	
BlackRock LDI Portfolio	BlackRock integrates ESG considerations into their counterparty selection and monitoring process. BlackRock use Aladdin Climate to model how various climate scenarios may affect the Fund value. BlackRock continues to be an active participant and leader in the evolution of the green bond market.	BlackRock should update their ESG scorecard/risk framework to assess counterparties level of ESG exposure annually. BlackRock's ESG metrics and data reporting should be independently verified. BlackRock should start reporting on counterparty engagements and ESG scores.	Isio engaged with BlackRock on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements.
BlackRock Sustainable Short Duration Credit ("SDC")	BlackRock's SDC Fund has a primary ESG objective relating to a 20% reduction in emissions relative to the ICE BAML 1-5 Year Global Corporate Index. The Fund's investment process places particular focus on key climate issues, as opposed to broad ESG integration. BlackRock are also able to report on a range of key metrics and have clear objectives when it comes to climate change. BlackRock label this as a sustainable product, meaning there is additional screening and modelling available compared to other pooled funds.	BlackRock should provide detailed case studies of stewardship which are specifically for the Fund and report the percentage of the companies within the Fund that they have engaged with. BlackRock should introduce regular ESG reporting for the Fund, capturing nature-based or social metrics as well as climate metrics.	Isio engaged with BlackRock on the Trustee's behalf to review their ESG policies and set actions and priorities. Isio regularly reports back to the IC with updates on the BlackRock engagements.
Pantheon Private Equity	The Scheme has a small allocation to a historic Private Equity Fund of Funds with Pantheon. No engagement has taken place with this manager on ESG issues.		

Engagement

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12 months to 31 March 2024.

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

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

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

		investment case for the holding.
BlackRock UK Balanced and Long Lease Property Funds	BlackRock currently do not provide details of their engagement activities for this investment due to the nature of the Funds. Isio will work with BlackRock on behalf of the Scheme to develop BlackRock's engagement reporting going forward.	As with the equity mandates, BlackRock's ESG related engagement is led by the BIS team. BlackRock lease on full repairing and insuring ("FRI") terms, which means that whilst a tenant is in a property BlackRock has limited control over that property. BlackRock does recognise the importance of engaging with tenants and other stakeholders to gain insight into their ESG practices and key performance indicators. Engagement activity varies from asset to asset, but often includes a combination of campaigns, activities and events to address sustainable best practice, particularly in relation to energy and resource efficiency, which is a key priority area for BlackRock and the wider industry.
BlackRock Global Renewable Power III	BlackRock currently do not provide a breakdown of their engagement activities for this investment due to the nature of the Fund. Isio will work with BlackRock on behalf of the Scheme to develop BlackRock's engagement reporting going forward.	BlackRock actively engages with underlying assets on ESG issues to enhance risk mitigation within the mandate. **National Renewable Solutions (NRS):** This is a 100% owned Wind & Solar investment that BlackRock engaged with to improve their ESG framework. NRS is an early-stage development platform that has grown from 15 employees at the time of investment to c.40 employees at the time of writing. As the company develops, BlackRock's ESG team has engaged to provide guidance and direction regarding the development of key ESG policies to align with international best practice. Through engagement, the company has introduced a supplier code of conduct, an environmental and biodiversity policy, and an employee compensation policy. BlackRock's ESG team was able to bring cross platform learnings and consistency to

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

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

		that it uses which comes from renewable sources to 100%.
Patrizia Infrastructure Debt	Total Engagements (Corporate): 12 Governance: 1 Social: 2 Environmental: 6	Patrizia engage with investee companies on ESG issues as part of pre-investment due diligence, the outcome may impact investing decisions. Engagement takes place on a yearly basis to collect ESG linked KPIs which thereafter feed into the Fund's Climate Change Reporting and Sustainability Reporting. **Adapteo**: Patrizia engaged with the company's Chief Sustainability Office to discuss the company's sustainability strategy and outlook. Adapteo proved to Patrizia that they were on track to implement their sustainability strategy, and Patrizia learned of Adapteo's plans to implement a clear and organised review of its process to prepare for addressing Corporate Sustainability Reporting Directive ("CSRD") regulation going forward.
IFM Global Infrastructure	IFM currently do not provide details of their engagement activities due to the nature of the Fund. Isio will work with IFM on the development of the firm's engagement reporting.	IFM engage through board representation in both their private equity and public market portfolio holdings. IFM will only invest in companies which have appropriate governance structures in place. IFM bring together key executives of their portfolio companies to help spread good ESG practice and objectives across the portfolio. **Veolia Energia**: IFM engaged with the company, which represents c. 30% of IFM's decarbonisation target across infrastructure equity. Through IFM's active management, Veolia has committed to transitioning away from coal and seeks to support Poland's transition towards a cleaner energy mix. Veolia's strategy sees a 40% reduction in tonnes of CO_2e by 2030 and phase one of the transition is underway.

BlackRock LDI	BlackRock currently do not provide details of their engagement activities due to the nature of the funds. Isio will work with BlackRock on the development of the firm's engagement reporting.	BlackRock integrates ESG considerations into their counterparty selection process and engages with derivative counterparties on governance issues. BlackRock continues to be an active participant and leader in the evolution of the green bond market and have engaged on the green financing framework. They provided input on the tenors to launch bonds at, ensuring access to their client base. BlackRock currently do not collect engagement data for the underlying LDI funds.
BlackRock Sustainable Short Duration Credit ("SDC") Fund	Total Engagements: 121 Environmental: 50 Social: 38 Governance: 95 One engagement can comprise of more than one topic across each company.	BlackRock have explicit stewardship priorities from a firm-level perspective and use a central team to drive engagements. However, this is done without fund-specific KPIs or milestones. BlackRock have been unable to provide case studies of any engagements for the Fund.
Pantheon Private Equity	Pantheon has been unable to provide specific examples of engagements given the Fund of Funds approach. An extract has been provided which outlines their engagement policy.	*"Pantheon's active ownership is exhibited through comprehensive manager due diligence and monitoring, the core service it provides to its investors. Where there are concerns around the strategic direction or governance of a fund, Pantheon will typically work in concert with other investors, often as a member of the Limited Partner Advisory Committee for that fund, in order to bring influence to bear on the manager. In contrast with the listed markets, Private Equity firms typically manage closed end funds with a pre-defined end date and are required to raise new capital through a new fund raising every three to five years, usually raising a significant proportion of new capital from existing investors. Whilst LPs are not able to be involved in the management of the fund, this feature of the private equity market means we have a very important role to play in*

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

Voting (for equity/multi asset funds only)

As the Scheme invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2024. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
Baillie Gifford Global Alpha Paris Aligned	Votable Proposals: 1,290 Proposals Voted: 94.4% For votes: 95.1% Against votes: 3.5% Abstain votes: 1.4%	**Analog Devices, Inc:** Baillie Gifford voted against executive remuneration as they did not believe that the performance conditions for the long-term incentive plan were sufficiently stretching. The outcome of the vote was successful however Baillie Gifford have explained their rationale for opposing this to the company and will continue to discuss this topic during their engagements in advance of the 2024 AGM.	Whilst Baillie Gifford makes use of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource stewardship activities or rely upon their recommendations. All client voting decisions are made in-house.
Baillie Gifford Positive Change	Votable Proposals: 323 Proposals Voted: 95.1% For votes: 96.7% Against votes: 2.9% Abstain votes: 0.3%	**PT Bank Rakyat Indonesia (Persero) Tbk:** Baillie Gifford opposed the changes to the composition of the company's management due to lack of disclosure on the changes. Whilst this is common practice in India, Baillie Gifford were not comfortable supporting the proposal given the lack of information available to make an informed decision. Baillie Gifford will continue to encourage the board to disclose this information in advance of the AGM.	Whilst Baillie Gifford makes use of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource stewardship activities or rely upon their recommendations. All client voting decisions are made in-house.
BlackRock Global ESG Equity	Votable Proposals: 7,383 Proposals Voted: 98.0% For votes: 95.5% Against votes: 2.5% Abstain votes: 0.0%	**Chevron Corporation**: In 31 May 2023, BlackRock voted against the advisory vote to rescind the company's Scope 3 GHG Emissions Reduction Proposal.	BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two

		BlackRock's rationale was that this action did not demonstrate economic benefit to shareholders.	groups: holding directors accountable and supporting shareholder proposals. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.
BlackRock EM Equity	Votable Proposals: 23,079 Proposals Voted: 98.7% For votes: 87.1%* Against votes: 12.8%* Abstain votes: 2.6%* *Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.	**Shin Kong Financial Holding Co. Ltd:** On 9 June 2023, BlackRock voted on the election of various directors for the company, which included 15 votes "for" and 19 votes "against". All votes were considered to be in the best interests of shareholders.	BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holding directors accountable and supporting shareholder proposals. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.
Baillie Gifford Diversified Growth Fund	Votable Proposals: 690 Proposals Voted: 94.1% For votes: 96.8% Against votes: 2.8% Abstain votes: 0.5%	**Montea NV:** Baillie Gifford voted for the authorisation to increase share capital as it was believed that it is in the best interest of shareholders for the company to have greater access to equity to enable them to exploit the current window of opportunity for external growth. The outcome of the vote was successful and the company also sought Baillie Gifford's opinions on the matter ahead of the shareholder meeting.	Whilst Baillie Gifford makes use of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource stewardship activities or rely upon their recommendations. All client voting decisions are made in-house.

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