



Scottish Enterprise Pension and Life Assurance Scheme: Implementation Report

September 2023

Background and Implementation Statement

Background

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

Statement of Investment Principles (SIP)

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

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

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

Implementation Report

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

- actions the Trustees have taken 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 2023 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

- At the May 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 new 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 LDI.
- Given the extent of market volatility over Q3 2022, the deteriorating outlook for UK commercial property, and need to bolster liquidity, the IC instructed the full redemption of the holdings from the BlackRock Balanced Property Fund. BlackRock subsequently communicated to investors that they would be deferring redemptions of units from the Fund given the significant volume of requests made by clients. As such, proceeds were not received over the reporting period.
- In late September, UK gilt yields surged following the 'mini-budget' statement by the UK Chancellor on 23 September. 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. This was necessary to avoid a forced removal of the hedge by the LDI manager and to ensure that there was sufficient collateral to mitigate any further increases in gilt yields.
- At the November IC meeting, the Scheme's investment strategy was discussed in light of the dramatic shift in the market environment. Isio and the Scheme Actuary have agreed to explore the investment and funding regime as part of 2023 formal triennial valuation. This will be progressed via the preliminary valuation analysis over Summer 2023.

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: **A Gray**
Position: **Chair of Trustees**
Date: **25 October 2023**

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.	<p>Prior to October 2022, the policy was to hedge 65% of movements in interest rates and inflation on a flat gilts basis.</p> <p>This policy is under review as part of the current review of the investment and funding approach.</p>	The Trustees reduced the LDI hedge to 35% on a gilts basis during mid-October following unprecedented gilt market volatility.
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.	<p>The Trustees regularly monitor the collateral and liquidity position to reduce the impact of this risk via quarterly reporting provided by their investment consultant.</p> <p>Following significant volatility in gilt markets over September and October 2022, the Trustees took action to increase the Scheme's liquidity and manage overall liquidity pressures. The Trustees made partial redemptions from the quarterly-dealt Apollo Semi-Liquid Credit (£12.0m) and monthly-dealt IFM Infrastructure Equity (£4.0m) mandates, with proceeds being held as cash within the Trustee Bank Account as at 31 March 2023.</p>
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.	<p>The Trustees agreed to a number of strategic changes over the year to align the strategy with the Actuary's new return retirement of Gilts + 3.3%.</p> <p>Implementation of these changes was delayed due to the extreme gilt market</p>

			volatility experienced over September and October 2022, and have been delayed further as Isio and the Scheme Actuary have agreed to explore the investment and funding regime as part of 2023 formal triennial valuation.
Credit	Default on payments due as part of a financial security contract.	<p>To diversify this risk by investing in a range of credit markets across different geographies and sectors.</p> <p>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.</p>	
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.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> 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 <p>The Trustees monitor the managers on an ongoing basis.</p>	The Trustees undertook the Scheme's Annual Impact Assessment in February 2023. 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 2023, the Trustees made no changes to the SIP.

The SIP was updated post-reporting period in August 2023 to reflect the recent regulatory requirements.

Policies added to the SIP

Date updated: July 2023

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:
 - Selecting and appointing asset managers – the Trustees will consider potential managers' stewardship policies and activities.
 - 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	<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• 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	<p>The Fund is an adaptation of the Baillie Gifford Global Alpha strategy, with the process amended by screening out carbon intensive companies; the manager has committed to having greenhouse gas intensity lower than that of the MSCI ACWI EU Paris Aligned Requirements Index.</p> <p>The Fund uses proprietary research to highlight material ESG issues, which are integrated into the investment process in a largely qualitative manner. Baillie Gifford has a firmwide net zero commitment, and a track record of collaborating with various external parties on ESG initiatives.</p>	<p>Baillie Gifford could consider introducing specific social objectives for the Fund and an ESG scorecard to be used within their investment framework.</p> <p>Baillie Gifford could use ESG scoring for assets held within the portfolio to aid with the identification and monitoring of ESG risks. The introduction of climate scenario analysis could enhance identification of climate risks.</p> <p>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.</p>	<p>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.</p>
Baillie Gifford Positive Change	<p>Baillie Gifford consider ESG factors to be a priority in both their risk management and investment processes. Baillie Gifford have an ESG team which are well-resourced and well-connected with the portfolio management team, assisting them in investment decisions and analysis.</p> <p>The Fund focuses on four key areas to address societal and environmental issues, assigning each investee company into these categories whilst aiming for</p>	<p>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 standard quarterly reporting.</p>	<p>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.</p>

	long term sustainable returns.		
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 demonstrate how the strategy aligns with the temperature pathway. In addition, BlackRock should provide more detailed ESG reporting for the Fund by breaking down ESG scoring by E, S and G components and improving the scope of carbon 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 Baillie Gifford engagements.
BlackRock EM Equity	The BlackRock passive equity range is constrained in respect to directly incorporating ESG integration within the investment process due to the nature of index-tracking mandates. However, at an overall firm level, a key focus for BlackRock is the climate change transition framework through their firm level commitment to Net Zero by 2050.	BlackRock should demonstrate how the strategy aligns with a temperate pathway. BlackRock's should clearly link engagements undertaken to their stewardship priorities. BlackRock should consider improving their capabilities on regular ESG reporting at a fund level by including ESG 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 Baillie Gifford engagements.
Baillie Gifford Diversified Growth	Baillie Gifford consider ESG risk management to be an essential part of the investment process overseen by the ESG team. Their voting and engagement policies aim to collaborate with companies with clear goals for progress.	Baillie Gifford should consider introducing an ESG scorecard as part of the due-diligence process and improving data coverage of greenhouse gas emissions and non-emissions metrics.	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.
BlackRock UK Balanced and Long Lease Property	BlackRock have a robust firm-wide ESG process that is well integrated within their Real Assets platform. Each asset within the portfolio is reviewed from an ESG standpoint to ensure ESG is monitored throughout the lifecycle of an investment. 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	BlackRock should consider updating their ESG scorecard more frequently. Reporting and monitoring of engagement effectiveness should be introduced.	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.

	<p>funds, however they are actively looking to improve their reporting once data quality is improved.</p>		
CQS Multi-Asset Credit	<p>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.</p> <p>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.</p>	<p>CQS should finalise decarbonisation targets for the Fund.</p> <p>CQS should expand voting and engagement priorities and ESG metrics within fund reporting to incorporate social factors. CQS should consider alternative benchmarks to be used for climate metrics given the large loan component of the portfolio.</p>	<p>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.</p>
Apollo Semi-Liquid Credit	<p>Apollo have expanded their ESG team, who 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 has been improved to incorporate sector-specific scoring.</p> <p>The Fund doesn't currently have a clear stewardship policy or priorities. However, Apollo added a sleeve for 'impact' investments to the Fund in July 2022.</p>	<p>Apollo should undertake scenario analysis to understand the Fund's portfolio alignment with explicit climate scenario outcomes.</p> <p>Apollo should also establish a stewardship policy and priorities to improve engagement coverage.</p>	<p>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.</p>
Partners Group - Direct Lending (PMCS 2018)	<p>While PG have demonstrated growth within their ESG team and practices, they are lagging compared to peers across a number of areas, primarily reporting.</p>	<p>Partners Group should develop fund-level ESG targets and engagement priorities. Partners Group should also improve their diversity reporting and metrics.</p> <p>Reporting could be improved through the inclusion of TFC climate change metrics and details of engagements within quarterly reporting.</p>	<p>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.</p>

<p>BlackRock Infrastructure Equity Fund</p>	<p>BlackRock have a robust firm wide ESG process that is well integrated within their Real Assets platform. Each asset within the portfolio is reviewed from an ESG standpoint to ensure ESG aspects are monitored throughout the lifecycle of an investment.</p> <p>BlackRock have a track record of achieving significant ESG related impacts from investing in renewable energy.</p>	<p>BlackRock could enhance their impact focus by developing formal quantitative targets for its UN's Sustainable Development focussed goals.</p> <p>BlackRock should report and monitor engagement effectiveness over time. In addition, BlackRock could consider demonstrating how the strategy aligns with a temperate pathway.</p>	<p>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.</p>
<p>Patrizia Infrastructure Debt Fund</p>	<p>Patrizia has a firm wide ESG specialist and can demonstrate that ESG is a key aspect of the due diligence process for prospective deals. However, there is limited evidence of ongoing ESG engagement or reporting at a fund level.</p>	<p>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.</p> <p>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.</p>	<p>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.</p>
<p>IFM Global Infrastructure</p>	<p>IFM integrate the firm's Responsible Investment Charter and have a clear process for ESG integration throughout the investment process.</p> <p>IFM have specifically included climate concerns throughout their assessment approach, with quantifiable metrics and targets at Fund level.</p> <p>Reporting is now TCFD aligned but there is potential for more detail in fund-level ESG metrics scoring and reporting.</p>	<p>IFM should develop an ESG scorecard to quantify ESG risks at the asset level. They could also improve climate scenario testing to assess the impact of scenarios on the Fund's value.</p> <p>IFM should complete the Fund's emission reduction plans at the asset level at the earliest opportunity to assess alignment with its net zero targets.</p> <p>IFM should continue to improve overall fund level reporting on ESG metrics, including social metrics.</p>	<p>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.</p>
<p>BlackRock LDI Portfolio</p>	<p>BlackRock integrate ESG considerations into their counterparty selection and monitoring process.</p> <p>BlackRock are working on their own scorecard to be</p>	<p>We would like to see BlackRock develop measurable ESG objectives for their LDI fund range.</p> <p>BlackRock has started to engage with counterparties</p>	<p>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</p>

	<p>able to score counterparties against ESG criteria.</p>	<p>on governance issues, and we believe they could extend engagement to cover environmental issues, which should then be reported on.</p> <p>BlackRock have previously communicated that they are looking to introduce environmental and social screens for derivative counterparties. We would like to see further progress and timescales for this being completed.</p>	<p>updates on the BlackRock engagements.</p>
<p>Pantheon Private Equity</p>	<p>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.</p>		

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 2023.

Fund name	Engagement summary	Commentary
Baillie Gifford Global Alpha Paris-Aligned	<p>Total engagements: 88 Voting engagements: 18 Environmental: 9 Governance: 14 Corporate Governance: 17 Environmental and Social: 27 Executive Remuneration: 3</p>	<p>Baillie Gifford contacted numerous companies where they engaged on a diverse variety of subjects. Baillie Gifford increased their total number of engagements from 70 from the previous reporting period to 88 over the current reporting period, with Governance being a key area of engagement.</p> <p>CRH PLC: Baillie Gifford engaged with the company to discuss their approach to decarbonising its business. Baillie Gifford explained to the Chief Executive of CRH that they felt the company's targets were limited in scope. Following this engagement, the company announced broader and more ambitious carbon targets, with various parts of the company having developed their own decarbonisation strategies to implement the new targets. Baillie Gifford welcomed these developments and have joined the Climate Action 100 collaborative engagement group for CRH to support their dialogue with the company going forward.</p>
Baillie Gifford Positive Change	<p>Total engagements: 71 Environmental: 18 Social: 25 Governance: 34</p> <p>One engagement can comprise of more than one topic across each company.</p>	<p>Baillie Gifford contacted numerous companies where they engaged on a diverse variety of subjects across Environmental, Social and Governance issues.</p> <p>MercadoLibre Inc: Baillie Gifford engaged with the company to discuss initiatives on making its business model more climate resilient. During the discussion, MercadoLibre's CFO discussed recent initiatives making it easier for customers to discover</p>

		<p>sustainable products, and progress the company has made in transitioning their logistics into an EV fleet. Baillie Gifford offered their perspectives and learnings from other platform businesses they have worked with on sustainability labelling and were encouraged to hear that the company are putting back-end processes in place so that if such labelling were to develop, they would be ready.</p>
<p>BlackRock Global ESG Equity</p>	<p>Total engagements (at firm level): 682 Governance: 401 Social: 304 Environmental: 363</p> <p>One engagement can comprise of more than one topic across each company.</p>	<p>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.</p> <p>ExxonMobil: BlackRock’s BIS Team has a long history of comprehensive engagement with Exxon during which they have discussed a range of corporate governance and sustainable business matters. BlackRock have welcomed steps that the company have taken to enhance the oversight, management, and disclosure of climate-related risks and opportunities. For example, in January 2022, they published their “Advancing Climate Solutions Progress Report” which included a new net zero target by 2030. BlackRock believe that Exxon can continue to strengthen this foundation and continue to engage with them on forward-looking transition planning.</p>
<p>BlackRock EM Equity</p>	<p>Total engagements: 436 Governance: 392 Social: 167 Environmental: 271</p> <p>One engagement can comprise of more than one topic across each company.</p>	<p>The BlackRock Investment Stewardship Team (BIS) carry out all voting and engagement activities. The BIS engage across all funds at an issuer level thereby leveraging all the capital at their disposal (for example across equity and credit) to maximise engagement effectiveness.</p> <p>Petroleo Brasileiro S.A.: BlackRock have conducted a multi-year engagement with Petroleo to discuss how the company has enhanced their approach to risk management and oversight considering the findings of the “Car Wash” corruption investigation. The incident resulted in Petrobras violating the United Nations Global Compact (UNGC) Principles, undermining the company’s reputation. BlackRock have found Petrobras to be receptive of their</p>

		<p>feedback on board quality, climate-risk, and responsible business conduct. In particular, the company's sustainability disclosures have improved significantly in quality and timeliness. After publicly supporting the Task Force on Climate-related Financial Disclosures (TCFD) in 2020, the company has published sustainability reports on a yearly basis detailing their decarbonization journey.</p>
<p>Baillie Gifford Diversified Growth Fund</p>	<p>Total engagements: 31 Environmental: 14 Social: 11 Governance: 21</p> <p>One engagement can comprise of more than one topic across each company.</p>	<p>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.</p> <p>MP Materials Corp.: Baillie Gifford met with the management of the company to discuss a range of ESG topics, with a focus on two of Baillie Gifford's previously set milestones for the company of improving transparency of health and safety reporting and the prospect of environmental targets. Baillie Gifford also explored the culture of the company by speaking to employees working in the mines. The engagement further instilled Baillie Gifford's confidence in the management's ability to meet their ESG milestones.</p>
<p>BlackRock UK Balanced and Long Lease Property Funds</p>	<p>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.</p>	<p>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.</p> <p>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.</p>
<p>BlackRock Global Renewable Power III</p>		<p>BlackRock has been unable to provide examples of engagements with public companies due to the nature of the</p>

		Fund. However, BlackRock will engage with sponsors to ensure appropriate governance where they take minority or majority stakes on positions.
CQS Multi-Asset Credit	Total Engagements: 84	<p>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.</p> <p>Douglas: In their ongoing review of the company, CQS identified concerns around social targets and initiatives, staff turnover and the IT and Data security mechanisms they have in place. Since engaging with Douglas, the company has recently published an ESG report with more in-depth information, including initiatives and targets across social and employee initiatives. CQS were also satisfied with further information provided on IT and Data Security, and are encouraging management to explore options for comparable industry data on staff turnover.</p>
Apollo Total Return Fund	Total Engagements: 36 Environmental: 10 Social: 3 Broad-based ESG: 23	<p>Apollo has a firm wide stewardship policy. However, the policy doesn't specify any priority areas or ESG themes. The link between the policy and Apollo's engagement could also be clearer.</p> <p>ESG engagements are managed by the portfolio management team, with "Green teams" in each asset class responsible for escalating ESG issues to the ESG Steering Committee.</p> <p>Garda World Security Corporation: Apollo met with the company on the underlying theme of "Social" in December 2022. During the engagement, Garda's views on the current safety measurements in the middle east were discussed and Apollo questioned how they planned to mitigate risks facing their employees. The company confirmed that they have increased their compliance training.</p>
Partners Group - Direct Lending (PMCS 2018)	Total engagements: 3 Corporate: 3	Partners Group maintain ongoing contact with the management teams of their portfolio companies, however, given their position as debt lenders

	<p>*Note that Partners Group provide data semi-annually, and as such the engagement data shown reflects their activity over the 2022 calendar year.</p>	<p>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.</p> <p>Partners Group have engaged solely on governance related issues over the period, rather than environmental or social considerations. Examples of significant corporate governance activities within portfolio projects include:</p> <p>Galderma: Partners Group engaged with the company's management to receive a trading and performance update. Company performance continues to be strong with revenues above those of the previous year. The key driver of this performance was volume growth within the aesthetics and consumer segments. The company confirmed that they have managed to mitigate inflationary pressures through brand mix improvements, life cycle management and cost cutting programs.</p>
<p>Patrizia Infrastructure Debt</p>	<p>Total Engagements (Corporate): 5</p>	<p>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.</p> <p>Yorkshire Water: Patrizia organised two calls with YW management and discussed with them concerns around penalties and a sewage release investigation by the Environmental Agency. Patrizia communicated a list of ESG KPIs as part of this engagement.</p>
<p>IFM Global Infrastructure</p>	<p>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.</p>	<p>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.</p>

		<p>Buckeye Partners: Buckeye and IFM have began looking for Merger & Acquisition opportunities to acquire renewable development projects as well as currently developing solar projects. Both of these projects together may generate enough renewable power to offset over 200% of Buckeye's 2019 electricity consumption.</p>
BlackRock LDI	<p>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.</p>	<p>BlackRock has started to engage with derivative counterparties on governance issues and is currently developing an Environmental screen for assessing banking counterparties.</p> <p>BlackRock currently do not collect engagement data for the underlying LDI funds.</p>
Pantheon Private Equity	<p>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.</p>	<p><i>"Stewardship and Governance are both embedded in private equity practices and as Pantheon is a fund of funds, we closely monitor for any ESG concerns, engaging with GPs on a case-by-case basis. Effective post-investment care and the maintenance of close relationships are important to maximise the value of Pantheon's fund investments, protect client interests and to evaluate the investment activity within each fund. Pantheon generally serves on fund advisory boards to contribute actively during the life of the fund. Together with Pantheon's rigorous monitoring procedures, such positions enable Pantheon to maintain close relationships with GPs to protect client interests and to evaluate investment activity within each fund effectively."</i></p>

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 2023. 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: 1113 Proposals Voted: 99.8% For votes: 97.2% Against votes: 2.5% Abstain votes: 0.3%	Tesla Inc.: Baillie Gifford opposed the resolution requesting a report on how the company's corporate lobbying is aligned with the Paris Climate Agreement. While Baillie Gifford have been supportive of similar proposals put forward by other US holdings, they did not believe there was the same rationale for supporting at Tesla given Tesla's core mission to accelerate the world's transition to sustainable energy and its entire business strategy is in alignment with the Paris Agreement, therefore Baillie Gifford believed additional disclosures would have no real benefit to shareholders.	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: 357 Proposals Voted: 100% For votes: 97.5% Against votes: 2.2% Abstain votes: 0.3%	Abiomed, Inc.: Baillie Gifford opposed a resolution for executive compensation due to concerns with the structure of the plan including short term performance targets within the long-term plan. Baillie Gifford informed the company of their concerns with the compensation plan prior to the AGM. The vote received over 20% opposition, and Baillie Gifford hope that a continued dialogue will encourage improvements in	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.

		the company's compensation plan.	
BlackRock Global ESG Equity	Votable Proposals: 5,653 Proposals Voted: 95.8% For votes: 87.5% Against votes: 6.8% Abstain votes: 0.7%	Amazon.com Inc : BlackRock supported a proposal for Amazon to report on their efforts to reduce plastic use. BlackRock believe that the company's goals in relation to plastic recycling are clear, however they do not explicitly disclose the amount of plastic used, making it difficult for shareholders to determine how effectively Amazon are managing this material risk and their progress over the year. BlackRock supported this proposal as they believe it is in the best economic interests of clients to enhance disclosure on this long-term business risk.	BlackRock use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions. BlackRock categorise their voting actions into two groups: holding directors accountable and supporting shareholder proposals. Where BlackRock have concerns around the lack of effective governance on an issue, they usually vote against the re-election of the directors responsible to express this concern.
BlackRock EM Equity	Votable Proposals: 25,327 Proposals Voted: 98.4% For votes: 83.9% Against votes: 10.9% Abstain votes: 3.5%	Grupo Mexico: BlackRock voted to not support the director bundled ballot due to concerns regarding sustainability disclosures and the quality and effectiveness of their Board of Directors. BlackRock have engaged with the company on these matters since 2020, including encouraging the company to hold director elections individually rather than as a single ballot, to allow shareholders to identify individual directors.	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: 1061 Proposals Voted: 97.9% For votes: 95.8% Against votes: 3.3% Abstain votes: 1.0%	Duke Realty Corporation: Baillie Gifford opposed the advisory proposal to approve executive compensation to be paid in connection with the company merger. Baillie Gifford were uncomfortable with the executive compensation arrangements planned in connection with the merger and therefore opposed this resolution. Baillie Gifford attempted to engage with the company on its approach to compensation	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.



at the Annual General Meeting and plan to continue with these efforts.
