



Scottish Enterprise Pension and Life Assurance Scheme: Implementation Report

August 2022

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 <https://www.scottish-enterprise.com/media/4214/se-pension-life-assurance-scheme-sip-september-2021.pdf>

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 2022 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

- Following the 2020 Actuarial Valuation, the Trustees have been reviewing the Scheme's investment strategy and have been implementing a revised strategy over the 12 months to 31 March 2022. A key focus of the investment strategy is to improve alignment with the Trustees' ESG objectives.
- As part of a previously agreed commitment to infrastructure equity, the Scheme made an allocation to a BlackRock renewable energy mandate as one of the Scheme's infrastructure equity managers. In Q2 2021, the Trustees appointed a second infrastructure equity manager, IFM, who called capital post reporting period in July 2022.
- In Q2 2021, the Trustees completed the restructuring of the Scheme's equity portfolio. This involved fully disinvesting from the Stewart Investors emerging market equity mandate, the BlackRock passive global equity mandate and the Baillie Gifford UK equity mandate in favour of global, ESG-aligned funds with Baillie Gifford and BlackRock, and a passive emerging equity mandate with BlackRock.
- Over July and August 2021, the Scheme's quoted private equity investments were sold via a market broker. The proceeds from the sales were paid to the Trustee Bank Account, with cash intended to be re-invested in the portfolio over 2022.
- At the September 2021 Trustee meeting, the Trustees agreed to proceed with the implementation of the collateral waterfall framework with BlackRock, which was implemented after the reporting period. This arrangement enables BlackRock to invest excess collateral within the LDI mandate in short dated, investment grade liquid credit (short-dated credit) to generate additional return.
- In November 2021, the Trustees completed an annual review of the Scheme's liability hedge. This analysis indicated that the Scheme was materially underhedged relative to the target hedge ratio as revised actuarial assumptions caused a material shift in the liability valuation. Remedial trading activity took place over December 2021 to rebalance the hedge ratio back to target.
- In February 2022, the Trustees agreed to commit to a further £13m investment in the BlackRock long lease property mandate. This capital amount is due to be drawn over the second half of 2022.

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: Alistair Gray

Position: Chair of Trustee Board

Date: 23 September 2022

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 65% of movements in interest rates and inflation on a flat gilts basis.	The Trustees rebalanced the BlackRock LDI hedge in December 2021 which increased the hedge ratio back to the 65% target level.
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>The Trustees implemented a collateral waterfall structure with BlackRock, post reporting period. The new structure allows BlackRock to obtain collateral for the LDI funds efficiently from short dated, investment grade liquid credit, generating additional return and improving Scheme liquidity management.</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.	
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>	<p>ESG actions undertaken:</p> <ul style="list-style-type: none"> - The Trustees undertook an Impact Assessment in September 2021 and received ESG training in February 2022. - The Trustees held a Round Table event in December 2021 with a selection of the Scheme's investment managers. A key area of discussion was in relation to the importance and management of ESG and climate risk.
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.	As part of the restructuring of the equity portfolio in Q2 2021, the Trustees removed the 50% currency hedge on the Scheme's BlackRock passive equity holdings.
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.	

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 Global Alpha Paris Aligned Fund clearly integrates environmental considerations into the investment approach, resulting in a portfolio with reduced carbon emissions.</p> <p>The manager has a strong track record of engaging with companies and collaborating with other market participants with regards to ESG factors.</p>	<p>Baillie Gifford could consider improving the Fund's offering by providing more frequent ESG related data (with regards to voting) for their investors and report on more ESG metrics than carbon alone.</p>	<p>Isio engaged with Baillie Gifford on the Trustee's behalf to remove the previous UK equity fund in favour of a global mandate with explicit ESG objectives and a global equity fund with an ESG tilt. This was implemented in Q2 2021.</p>
Baillie Gifford Positive Change	<p>Baillie Gifford consider the importance of ESG factors in risk management and the investment process. They have a well-resourced and experienced ESG team that are heavily involved with the portfolio management team.</p> <p>Baillie Gifford clearly demonstrate they understand the importance of considering the social and environmental impact of their underlying holdings and have identified this as a key fund objective.</p>	<p>Baillie Gifford could develop a net zero carbon emissions framework for the Fund and formally align the portfolio to a temperature pathway (i.e. in line with the Paris agreement).</p> <p>Baillie Gifford could consider clear diversity targets at both the firm-level and at the portfolio management level.</p> <p>In addition, Baillie Gifford could provide evidence of how voting and engagement activity is aligned with the Fund's impact objectives.</p>	<p>Isio engaged with Baillie Gifford on the Trustee's behalf to remove the previous UK equity fund in favour of a global mandate with explicit ESG objectives and a global equity fund with an ESG tilt. This was implemented in Q2 2021.</p>
BlackRock Global ESG Equity	<p>The fund provides a solid basis for ESG coverage with a net zero commitment by 2050 and a comprehensive exclusions list.</p> <p>However, there needs to be a clearer link between the stewardship policies and how these are implemented through engagements.</p>	<p>BlackRock should provide further climate-related scenario modelling to assess the strength of the portfolio under different climate outcomes.</p> <p>BlackRock should provide a clearer link between the stewardship priorities and how these are implemented through engagement with portfolio companies.</p>	<p>Isio engaged with BlackRock on the Trustee's behalf to remove the previous global equity fund in favour of a mandate with explicit ESG objectives and a global equity fund with an ESG tilt. This was implemented in Q2 2021.</p>

	Improvement is also needed in the reporting and modelling of ESG data at the fund level.	BlackRock could also improve reporting to include more detailed ESG metric reporting for the fund by breaking down progress between E, S, and G components.	
BlackRock EM Equity	BlackRock's approach to ESG is somewhat incoherent and lacks consistency. For example, their risk metrics do not link to their ESG priorities directly. It is also not clear how they incorporate their stewardship priorities into their voting and engagement activity, or how effective their stewardship activities are on delivering on the priorities.	BlackRock should evidence how their stewardship activities align with their firm-wide stewardship priorities, particularly in reference to their policies on climate change and board diversity. BlackRock could establish KPIs to drive their engagement priorities e.g. climate change targets. They could report on engagement effectiveness at a fund level, and could incorporate voting and engagement summaries in their regular fund reports.	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 an essential part of the investment process overseen by the in-house Governance & Sustainability team. Their voting and engagement policies aim to collaborate with companies with clear goals for progress.	Baillie Gifford should consider including ESG as a key risk metric and incorporating ESG metrics into quarterly client reporting.	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.
Abrdn Global Absolute Return Strategies	At the December 2018 Trustee meeting, agreement was reached to terminate this mandate. The allocation was earmarked to fund the Patrizia Infrastructure Debt mandate and was terminated after the reporting period. No further engagement has taken place with Abrdn on ESG since late 2019.		
BlackRock UK Balanced and Long Lease Property	BlackRock has a strong ESG background and have implemented ESG policies successfully at firm-wide level. At a Fund level, while they do not have a dedicated ESG team/officer, they can demonstrate that ESG is a key aspect of the due diligence process and ongoing engagement is apparent through an investment's lifecycle. BlackRock have developed a clear framework for recognising ESG factors within the investment process and are looking to improve the depth of its reporting on these issues.	BlackRock to consider providing regular commentary and inclusion of ESG data in quarterly reporting, as it would be beneficial to see more granular analysis included, such as carbon emissions and energy and water consumption. BlackRock should also consider adapting the ESG questionnaire to quantify ESG risks and drive their engagement priorities.	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 materially improved their ESG capabilities over the last 12 months, in part owing to the recruitment of a dedicated Responsible Investment (“RI”) team, improved frameworks and a commitment to improving industry standards. For example, CQS have recently become a signatory to the Net Zero Asset Managers Initiative, committing to achieve Net Zero greenhouse emissions by 2050 or sooner and the Fund has been reclassified as Article 8 Compliant.	CQS should develop ESG objectives or incorporate quantifiable targets for the Fund such as decarbonisation targets. CQS could also build out their scenario analysis capabilities, with a particular focus on temperature increases.	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 been actively incorporating ESG into their investment process for a number of years and are recognised as one of the leaders in ESG integration. They have a robust framework in place for successfully promoting ESG factors across the industry and portfolio companies.	Apollo could incorporate ESG factors in regular client reports, and provide both qualitative and quantitative details on the Fund’s ESG performance. For example they could include details on carbon emissions exposure, company engagement activity or a summary of investments which exhibit high ESG risks.	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 - Direct Lending (PMCS 2018)	Partners Group has a specialist ESG and Sustainability team, who support the business in achieving their ESG objectives. At a fund level they can demonstrate that ESG is a key aspect of the due diligence process and ongoing engagement is apparent through an investment’s lifecycle.	Partners Group should provide examples of how they have worked with portfolio companies to bring about a desired change and how they have worked with other managers to bring about a positive ESG change. Partners Group could aim to provide more granular information/data on the diversity metrics in place at portfolio level, including ethnicity, LGBTQ+ and social mobility stats.	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.
BlackRock Infrastructure Equity Fund	BlackRock have a track record of achieving significant ESG related impacts from investing in renewable energy. BlackRock could enhance its impact focus by developing formal quantitative targets for its UN Sustainable Development Goals (“SDG”) focussed goals. BlackRock can quantify the impact of their contribution to UN SDGs across various metrics.	BlackRock should set formal quantitative targets for its UN SDG focussed metrics. They should also set diversity targets at the firm-level, and develop climate scenario analysis for the overall portfolio.	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>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 Fund specific ESG policy and could demonstrate further commitment if the ESG team is solely dedicated to ESG, rather than combining it with their normal investment role.</p> <p>Patrizia should engage with portfolio companies on a regular basis and improve how they report on monitoring of ESG factors as well as how they have engaged on these with sponsors/companies.</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>BlackRock LDI Portfolio</p>	<p>BlackRock has extensive firm-wide capabilities in assessing and applying ESG factors. However, it has previously believed there are few opportunities to do so within LDI funds.</p> <p>BlackRock have recently made and continue to make progress towards incorporating ESG factors within their LDI funds. It is however still behind some of its competitors who can more clearly evidence how they incorporate ESG into their range of LDI funds.</p>	<p>BlackRock should develop measurable ESG objectives for the fund and provide ESG reporting for its LDI funds.</p> <p>BlackRock should evidence where they have collaborated on LDI specific issues.</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>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 2022.

Fund name	Engagement summary	Commentary
Baillie Gifford Global Alpha Paris-Aligned	Total engagements: 70 Voting engagements: 20 Corporate Governance: 15 Environmental and Social: 29 Executive Remuneration: 6	<p>Baillie Gifford engaged on a wide range of subjects when contacting companies with their voting intentions. Baillie Gifford significantly increased their Environmental and Social engagements.</p> <p>Tesla, Inc: Baillie Gifford engaged with the company to learn more about Tesla’s decision to open a showroom in XinJang and a legal case against the company alleging racist behaviour at its Fremont factory. Baillie Gifford gained helpful clarification on employee and supply chain topics and were reassured to learn that the company is increasing its investment in human capital management and employee engagement. However, they will continue to monitor these issues going forward, including raising them at the next AGM.</p>
Baillie Gifford Positive Change	Total engagements: 57 Voting engagements: 15 Corporate Governance: 13 Environmental and Social: 21 Executive Remuneration: 8	<p>Baillie Gifford contacted numerous companies where they engaged on a diverse variety of subjects. Most engagements were spread across Corporate Governance, Voting Engagements and Environmental and Social.</p> <p>Peloton Interactive Inc.: Baillie Gifford have continued their regular dialogue with the company and met with Peloton’s ESG team in August to discuss planned enhancements to its supply chain and how it thinks about climate change. Baillie Gifford learned of Peloton’s investment in a new production facility in Ohio which will lead to several benefits including improving the stability of the supply chain by reducing political risk and lowering its carbon footprint by manufacturing closer to core markets. Baillie Gifford also provided guidance on Peloton’s annual ESG report – encouraging the company to focus on material ESG issues and how these align with the long-term strategy..</p>
BlackRock Global ESG Equity	Total engagements (at firm level): 693 Governance: 567 Social: 269 Environmental: 471	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>One engagement can comprise of more than one topic across each company.</p>	<p>Kroger Co: BlackRock have a long history of engagement with Kroger (large grocery retailer in North America). BlackRock have discussed a range of topics with Kroger over the past year, including their COVID-19 response, human capital management, diversity, equity, and inclusion, board refreshment and executive compensation, among other topics.</p> <p>In June 2021, BlackRock engaged with the company in advance of its Annual Meeting of Shareholders to discuss its sustainability efforts and plans to enhance reporting. Kroger have been responsive to stakeholders with respect to enhancing its sustainability efforts and disclosure, particularly in relation to recyclable/reusable packaging. BlackRock acknowledge the efforts made by Kroger and are continuing to actively engage with them on this topic, for example they supported a proposal for Kroger to produce a report to assess the environmental impact of the company's use of non-recyclable packaging.</p>
<p>BlackRock EM Equity</p>	<p>Total engagements: 444 Governance: 418 Social: 39 Environmental: 348</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>Samsung Electronics Co. Ltd ("Samsung"): Samsung is South Korea's largest company in market capitalisation and the world's largest manufacturer of electronics. Samsung are included within BlackRock's Investment Stewardship's climate focus universe, which covers 1,000 carbon-intensive public companies which represent 90% of global greenhouse gas ("GHG") emissions of client's holdings with BlackRock. BlackRock have conducted multi-year engagements with Samsung to discuss climate and energy transition risk. This includes discussions over Samsung's plan to publish an updated climate strategy and define their GHG emission reduction targets.</p>
<p>Baillie Gifford Diversified Growth Fund</p>	<p>Total engagements: 36 Voting engagements: 18 Corporate Governance: 5 Environmental and Social: 12 Executive Remuneration: 1</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>Italgas S.p.A: Baillie Gifford met with Italgas's CEO, CFO and head of investor relations to learn more about their long-term strategy as a gas distribution network operator. With the European Union's ambition to being climate neutral by 2050 being considered, they discussed Italgas's engagement with regulatory stakeholders, capital expenditure alignment and the company's ongoing methane leakage minimisation efforts. The meeting reassured Baillie Gifford that</p>

		Italgas is well positioned for the energy transition from an ESG perspective.
Abrdn Global Absolute Return Strategies (“GARS”)	<p>Total engagements* (at firm level): 2,568</p> <p>*Note that Abrdn provide data annually, and as such the engagement data shown reflects their activity over the 2021 calendar year.</p>	<p>The GARS Fund is not explicitly mandated to consider ESG-related factors, however Abrdn recognise that engagement with portfolio companies can lead to better client outcomes. Engagement with portfolio companies is not a material part of the strategy due to a relatively low exposure to individual securities.</p> <p>Where the Fund does invest in individual securities, these are typically held via sleeves managed by the in-house equity and fixed income teams. Engagement within these sleeves is consistent with the firm-wide policy however this is immaterial to the Fund as a whole, which typically invests via derivatives such as futures and options, which provide no voting rights or engagement ability.</p> <p>As such, Abrdn has been unable to provide specific examples of engagements at the strategy level.</p>
BlackRock UK Balanced and Long Lease Property Funds	<p>BlackRock currently do not provide details 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.</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>
BlackRock Global Renewable Power III		<p>BlackRock has been unable to provide examples of engagements with public companies due to the nature of the fund. However, BlackRock will engage with sponsors to ensure appropriate governance where they take minority or majority stakes on positions.</p>
CQS Multi-Asset Credit	<p>Total Engagements (at firm level): 135</p>	<p>CQS has implemented an updated engagement framework that offers greater guidance on the engagement process and improves the overall ability to monitor the effectiveness of engagement across the firm in line with stewardship priorities.</p> <p>CQS has an ‘Engagement Group’ who provide oversight and review engagement activity centrally ensuring that engagements are coordinated and shared across the business</p> <p>Jaguar Land Rover (“JLR”): CQS frequently engage with JLR on ESG matters. For example, during the reporting period they had a call with the treasurer and investor relations team where environmental, social and governance topics were discussed, as well as the level of disclosure of ESG metrics. CQS pushed management to</p>

		<p>agree to a timeline on disclosing more emission data (particularly Scope 3 and CO2/mile). JLR agreed to consider including an ESG slide in their quarterly reporting with climate metrics and are seeking to gain an ESG rating for the firm.</p>
Apollo Total Return Fund	<p>Total Engagements: 82 Environmental: 14 Social: 2 Governance: 36 Broad-based ESG: 30</p>	<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>Ecopetrol SA: Apollo engaged with the oil and gas company on the underlying theme of Environment. The discussions surrounded the company's acquisition of ISA and whether this will reduce its reliance on fossil fuel extraction. Ecopetrol confirmed that ISA have renewable assets and the post-acquisition strategy will include exploration of hydrogen projects.</p>
Partners Group - Direct Lending (PMCS 2018)	<p>Total Engagements*: 5 Corporate: 5</p> <p>*Note that Partners Group provide data semi-annually, and as such the engagement data shown reflects their activity over the 2021 calendar year.</p>	<p>Partners Group maintain ongoing contact with the management teams of their portfolio companies, however, given their position as 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.</p> <p>Partners Group has engaged on mostly governance related issues over the period, rather than environmental or social considerations. An example of a significant corporate governance activity within the portfolio project includes:</p> <p>Thinkproject: Partners Group engaged with the company to receive an update on the performance of the business. Partners Group had a call with the company's management to discuss the current trading and strategy of the company since its acquisition by EQT. The company confirmed their strong trading performance and the appointment of a new CEO since the acquisition.</p>
Patrizia Infrastructure Debt	<p>Patrizia do not currently record data on the number of engagements taken. However, they note that they have engaged with all four entities which the fund is invested in numerous times over the reporting period.</p>	<p>As part of the pre-investment due diligence process they highlighted any areas of concern which they would require more information on before proceeding with the investment, as well as the information requirements they would require on an annual basis to track ESG performance over time.</p> <p>Wireless Infrastructure Group (WIG): As part of the investment process, Patrizia sent a due diligence questionnaire including 20 (out of 90 total questions) ESG related questions which were satisfactorily answered. Subsequently a call has taken place with lenders and management where lenders raised additional questions related to WIG's carbon footprint. WIG indicated they are currently creating an ESG report and intend to produce additional analysis and information on ESG.</p>

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.	<p>BlackRock has started to engage with derivative counterparties on governance issues and are working on engaging with them on environmental issues.</p> <p>At a firm-level, BlackRock engages with many companies and are continually developing the channels and proactivity in which they inform clients about their engagement and voting policies.</p>
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.	<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 2022. 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: 631 Proposals Voted: 94.3% For votes: 98.2% Against votes: 1.3% Abstain votes: 0.5%	Deutsche Bank AG: Baillie Gifford opposed the re-election of the chair of the risk committee. After the candidate was put forward for election, they had to stand down from a similar role at another company due to ongoing investigations relating to their risk practices. Although there was no evidence of wrong doing found, Baillie Gifford felt unable to support the re-election given the investigations.	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: 333 Proposals Voted: 93.7% For votes: 97.1% Against votes: 2.6% Abstain votes: 0.3%	Tesla, Inc.: Baillie Gifford supported a shareholder resolution requesting a report on the company's use of arbitration to resolve employee disputes. Baillie Gifford believe that additional disclosure and transparency on this provision would be helpful in understanding Tesla's workplace practices.	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: 3,961 Proposals Voted: 100% For votes: 92% Against votes: 8% Abstain votes: 0%	Mitsubishi UFJ Financial Group Inc: BlackRock voted against the shareholder proposal for a partial amendment to the Articles of Incorporation (Disclosure of plan outlining the company's business strategy to align its financing and investments with the goals of the Paris Agreement). While BlackRock agreed with	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

		<p>the spirit of the proposal, they voted against it due to the potential consequences that could result from the legally binding nature of the proposal. BlackRock believe the company is making reasonable progress in addressing and disclosing climate-related risks and opportunities, including reporting in line with the Task Force on Climate-Related Financial Disclosures ('TCFD') framework.</p>	<p>the re-election of the directors responsible to express this concern.</p>
BlackRock EM Equity	<p>Votable Proposals: 22,577 Proposals Voted: 97.1% For votes: 86.4% Against votes: 9.6% Abstain votes: 3.9%</p>	<p>Vale, S.A.: BlackRock voted for all items proposed by management, and, in the case of the individual director elections, BlackRock voted for the candidates recommended by the Nominations Committee and Board of Directors. BlackRock voted for the items because Vale has enacted necessary changes at the board level – including the creation of a Nominating Committee – that have led to significant improvements in Vale’s board composition, diversity, and independence. These changes have, in turn, contributed to board effectiveness and the implementation of stronger corporate governance practices and risk management controls.</p> <p>Vale’s commitment to improve its corporate governance practices, advance sustainability and transform its culture is a step in the right direction. BlackRock will continue to engage with Vale to drive further improvements.</p>	<p>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.</p>
Baillie Gifford Diversified Growth Fund	<p>Votable Proposals: 1537 Proposals Voted: 88.1% For votes: 96.0% Against votes: 3.4% Abstain votes: 0.6%</p>	<p>Rio Tinto Plc: Baillie Gifford opposed a remuneration report as they did not agree with the decisions taken by the Remuneration Committee in the last year regarding executive severance payments and the vesting of long-term incentive awards. Following the submission of their votes, Baillie Gifford engaged with</p>	<p>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.</p>

the company to communicate their concerns.

Abrdn Global Absolute Return Strategies	Votable Proposals: 1420 Proposals voted: 99.9% For votes: 84.1% Against votes: 15.7% Abstain votes: 0.2%	N/A - Abrdn did not provide any examples of significant votes cast.	Abrdn use Institutional Shareholder Services (ISS) electronic platform to execute vote instructions.
---	--	---	--

This report has been prepared for the sole benefit of the Trustees of the Scottish Enterprise Pension and Life Assurance Scheme and based on their specific facts and circumstances and pursuant to the terms of Isio Group / Isio Services Limited's services contract. It should not be relied upon by any other person. Any person who chooses to rely on this report does so at their own risk. To the fullest extent permitted by law, Isio Group / Isio Services Limited accepts no responsibility or liability to that party in connection with