

## Leicestershire DVK Retirement Benefits Scheme ('the Scheme') – Implementation Statement 2<sup>nd</sup> April 2023 – 1<sup>st</sup> April 2024

This Implementation Statement ('Statement') has been prepared in accordance with applicable legislation, taking into account guidance from The Department for Work and Pensions, for the period from 2<sup>nd</sup> April 2023 – 1<sup>st</sup> April 2024 ('the Scheme Year').

The Scheme's reporting period for each fund is the holding period of that fund across the Scheme Year.

The Statement sets out how, and the extent to which, the Trustee's policy in relation to exercising voting rights has been followed during the year by describing the voting behaviour on behalf of the Trustee of the Scheme.

The Trustee has used Minerva Analytics ('Minerva') to obtain voting and investment engagement information (VEI) on the Scheme's behalf.

This Statement includes Minerva's report on key findings on behalf of the Trustee over the Scheme Year.

A summary of the key points is set out below.

### Scottish Widows

Scottish Widows have stated that there was no voting or engagement information to report for the PM Cash Fund or the PM Index Linked Gilt Tracker Fund due to nature of the underlying holdings.

The PM Consensus Fund is a 'Fund of Funds', therefore the fund manager ('FOF manager') purchases units in funds managed by other fund managers rather than investing directly in securities like stocks and bonds. These funds run by other fund managers are referred to as the underlying funds. The FOF manager is therefore not involved in voting or engagement activity directly associated with the securities of the underlying companies but instead carries out a selection and due diligence process on the underlying managers. As agreed with Dalriada, a full analysis of each underlying manager is beyond the scope of the current VEI Report service. However, Minerva have considered voting and engagement information for one of the underlying funds, BlackRock iShares MSCI EM UCITS ETF.

It was determined by Minerva that BlackRock's public voting policy and disclosures contain minor divergences from good practice due to limited disclosures on Audit & Reporting. This includes a lack of public disclosure on the approach taken in areas of concern such as the assessment of investee companies' internal control system and internal audit function, as well as no clear position on key areas concerning the external auditors' tenure and rotation. However, the information gaps were not sufficiently material to justify saying the policy is not 'compliant' with the Scheme's requirements.

BlackRock provided a summarised voting record although this was not in line with the Scheme's reporting period. Significant votes were also provided. Minerva have highlighted a number of instances where the information provided by BlackRock does not meet reporting expectations due to general or missing rationales for their voting activity.

BlackRock provided basic fund-level information on engagements that was not in line with the Scheme's reporting period. Despite this, Minerva was able to confirm that the activity appeared to broadly comply with BlackRock's own engagement approach, and so complies with the Scheme's approach

## Final Comments

As the Scottish Widows PM Consensus Fund is a 'Fund of Funds', Minerva have considered voting and engagement information for one of the underlying Funds, the BlackRock iShares MSCI EM UCITS ETF, to provide the Trustee with some insight into the stewardship activities undertaken on that Fund.

BlackRock could improve by:

- increasing disclosures on Audit & Reporting in their public voting policy and disclosures;
- providing voting and engagement information in line with the Scheme's reporting period;
- providing clear rationales for their voting activity; and
- by increasing the level of detail in their engagement information.

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Signatory of:

Principles for Responsible Investment		PMI EXPERT PARTNER	WSB AWARDS WINNER	European Pensions AWARDS 2022 WINNER Diversity Award	PENSIONS AWARDS 2022 WINNER	PENSIONS AWARDS 2021 WINNER	ISIRI 27001 WINNER	ISIRI 27001 WINNER	bsi ISO 9001 CERTIFIED	CYBER ESSENTIALS
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# Leicestershire DVK Retirement Benefits Scheme

Dalriada Trustees Limited

## Implementation Statement (IS): Voting & Engagement Information (VEI) Report

Scheme Reporting Period:  
2<sup>nd</sup> April 2023 to 1<sup>st</sup> April 2024

4<sup>th</sup> September 2024

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# 1 SIP Disclosures

This section sets out the policies in the Statement of Investment Principles ('SIP') in force at the Scheme year-end relating to the following:

1. Financially Material Considerations
2. Non-Financial Considerations
3. Investment Manager Arrangements

Stewardship - including the exercise of voting rights and engagement activities - is set out in the 'Voting and Engagement' section.

Source of Information:

*Leicestershire DVK Retirement Benefits Scheme  
Statement of Investment Principles  
November 2022*



## 1.1 Financially Material Considerations

The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. It believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes that it is investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standards.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- Use ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- 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, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

## 1.2 Non-Financial Considerations

The Trustee has not considered non-financially material matters in the selection, retention and realisation of investments.

## 1.3 Investment Manager Arrangements

### *Incentives to align investment managers' investment strategies and decisions with the Trustee's policies*

The Scheme invests in pooled funds. The Trustee acknowledges that the fund's investment strategy and decisions cannot be tailored to the Trustee's policies. However, the Trustee sets its investment strategy and then selects managers that best suits its strategy taking into account the fees being charged, which acts as the fund managers' incentive.

The Trustee uses the fund objective/benchmark as a guide on whether the Scheme's investment strategy is being followed and monitors this regularly.

***Incentives for the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term***

The Trustee selects managers based on a variety of factors including investment philosophy and process, which it believes should include assessing the long term financial and non-financial performance of the underlying company. The Trustee also considers each manager's voting and ESG policies and how it engages with the investee company as it believes that these factors can improve the medium to long-term performance of the investee companies.

The Trustee will monitor the fund managers' engagement and voting activity on an annual basis as it believes this can improve long term performance. The Trustee expects its managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustee acknowledges that in the short term, these policies may not improve the returns it achieves, but does expect that investing in companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme.

The Trustee believes the annual fee paid to the fund managers incentivises them to execute their investment policies consistently, as the longer the units are held the larger income to the investment manager.

If the Trustee feels that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

***How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustee's policies***

The Trustee reviews the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustee assesses the performance of the individual funds over at least a 3-5 year period or over a market cycle, if appropriate, when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is a percentage of the assets held in each fund so the amount each manager receives is based upon the value of assets held with them. The remuneration paid out by the Scheme will depend upon the asset allocation. The charges are considered as part of the manager selection process. The

charges are monitored regularly with the help of its investment consultant to ensure they are in line with the Trustee's policies for each fund. The Trustee believes that its own and each fund manager's goals are aligned.

***How the Trustee monitors portfolio turnover costs incurred by the investment managers, and how they define and monitor targeted portfolio turnover or turnover range***

The Trustee monitors the portfolio turnover costs on an annual basis.

The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manage. This is monitored on an annual basis.

The Trustee has delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to its investment consultant.

***The duration of the arrangement with the investment managers***

The Trustee plans to hold each of its investments for the long term but will keep this under review.

Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected



# 2 Sourcing of Voting and Engagement Information

This section sets out the availability of the information Minerva initially requested from the Scheme’s managers, to facilitate the preparation of this report:

**Table 2.1: Summary of Available Information**

Fund Manager	Investment Fund/Product	Voting Information	Significant Votes	Engagement Information
Scottish Widows	PM Consensus Fund*	Part Info Provided	Part Info Provided	Part Info Provided
	PM Cash Fund	No Info to Report	No Info to Report	No Info to Report
	PM Index Linked Gilt Tracker Fund	No Info to Report	No Info to Report	No Info to Report

\* Scottish Widows PM Consensus Fund is a 'Fund of Funds' that invests in several funds run by other investment managers. As agreed with Dalriada, a full analysis of each underlying manager is beyond the scope of the current VEI Report service. Partial voting and engagement information has been provided for one of the underlying funds, BlackRock iShares MSCI EM UCITS ETF.

### Table Key

- Full Info Available** The manager has provided either a PLSA Voting Template or voting and/or engagement data that **precisely** matches the specific investment's holding / reporting period
- Part Info Available** The manager has provided either a PLSA Voting Template or voting and/or engagement data that **partially** matches the specific investment's holding / reporting period
- No Info to Report** The manager has explicitly stated that there is no voting or engagement information to report for this specific investment or that it is not expected there will be any voting or engagement information to report due to the nature of the underlying investments
- No Info Provided** At the time of preparing this report, the recipient of our information request has either not formally responded to the information request or has not provided information when we believe there should be information to report

### Minerva Says:

#### Voting Activity

There was voting information disclosed for the Scheme’s investments in the following funds:

- Scottish Widows PM Consensus Fund (BlackRock iShares MSCI EM UCITS ETF)

### **Significant Votes**

There was 'Significant Vote' information disclosed for the Scheme's investments in the following funds:

- Scottish Widows PM Consensus Fund (BlackRock iShares MSCI EM UCITS ETF)

### **Engagement Activity**

There was reportable engagement information provided for the Scheme's investments with the following managers:

- Scottish Widows PM Consensus Fund (BlackRock iShares MSCI EM UCITS ETF)

### **Fund of Funds**

Scottish Widows PM Consensus Fund is a 'Fund of Funds' which comprises several underlying funds. As agreed with Dalriada, it is beyond the scope of VEI Report service to undertake a full analysis of 'Fund of Funds'. However, we have added voting and engagement information for one of the underlying Funds, BlackRock iShares MSCI EM UCITS ETF, to provide the Trustee with some insight into the stewardship activities undertaken on that Fund.

# 3 Voting and Engagement

The Trustee is required to disclose the voting and engagement activity over the Scheme year. The Trustee have used Minerva Analytics ('Minerva') to obtain voting and investment engagement information (VEI) on the Scheme's behalf.

This statement provides a summary of the key information and summarizes Minerva's findings on behalf of the Scheme over the Scheme's reporting year.

The voting and engagement activity undertaken by the Scheme's managers, as reported by them and set out in this document, has been in the scheme members' best interests inasmuch that it demonstrates that the Scheme's managers have undertaken stewardship activity they deem to be appropriate and proportionate in the oversight and management of the Scheme's investments.

## 3.1 Voting and Engagement Policy and Funds

The Trustee's policy on Stewardship from the Scheme's SIP is set out below:

***The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.***

***The investment managers should engage with companies to take account of ESG factors in the exercise of such rights, as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.***

***The Trustee also expects the fund manager to engage with investee companies on the capital structure and management of conflicts of interest.***

***If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment manager's policy. If this fails, the Trustee will review the investments made with the investment manager.***

***The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expects investment managers to adhere to this where appropriate for the investments they manage.***

The following table sets out:

- The funds and products in which the Scheme was invested during the Scheme's reporting period;
- The holding period for each fund or product; and
- Whether each investment manager made use of a 'proxy voter', as defined by the Regulations

**Table 3.1: Scheme Investment/Product Information**

Fund Manager	Investment Fund/Product	Investment Made Via	Fund / Product Type	Period Start Date	Period End Date	'Proxy Voter' Used?
Scottish Widows	PM Consensus Fund*	SW Platform	DB Fund	02/04/2023	13/11/2023	ISS
	PM Cash Fund	SW Platform	DB Fund	02/04/2023	01/04/2024	N/A
	PM Index Linked Gilt Tracker Fund	SW Platform	DB Fund	02/04/2023	01/04/2024	N/A

\* Scottish Widows PM Consensus Fund is a 'Fund of Funds' that invests in several funds run by other investment managers. Therefore, it is likely that there are several underlying proxy voters. We have shown an example of one of the underlying managers.

### Minerva Says

As shown in the table above:

- BlackRock, the fund manager of one of the underlying funds in Scottish Widows 'Fund of Funds', identified Institutional Shareholder Services, or 'ISS', as their 'Proxy Voter' in relation to the BlackRock iShares MSCI EM UCITS ETF
- The investments shown as 'N/A' had no listed equity voting activity associated with them, and so had no need for a proxy voter

# 4 Exercise of Voting Rights

The following tables show a comparison of each of the Scheme's relevant manager(s) voting activity versus the Trustee's policy (which in this instance is the manager's own policy).

**Table 4.1: BlackRock Approach to Voting**

<b>Asset manager</b>	BlackRock
<b>Relevant Scheme Investment(s)</b>	iShares MSCI EM UCITS ETF

In their most recent 'BlackRock Investment Stewardship - Global Principles' document the manager states that: *'As part of our fiduciary duty to our clients, we consider it one of our responsibilities to promote sound corporate governance as an informed, engaged shareholder on their behalf. At BlackRock, this is the responsibility of the BlackRock Investment Stewardship (BIS) team.'*

BlackRock also set out their philosophy on investment stewardship:

*'In our experience, sound governance is critical to the success of a company, the protection of investors' interests, and long-term financial value creation. We take a constructive, long-term approach with companies and seek to understand how they are managing the drivers of risk and financial value creation in their business models. We have observed that well-managed companies will effectively evaluate and address risks and opportunities relevant to their businesses, which supports durable, long-term financial value creation. As one of many minority shareholders, BlackRock cannot - and does not try to - direct a company's strategy or its implementation.'*

## Key Points of Manager's Voting Policy

The manager's voting policy is set out in terms of the following specific guideline areas:

#	Guideline	Examples of Areas Covered
1	<b>Boards &amp; Directors</b>	Board performance, establishing an appropriate corporate governance structure, regular accountability, ensuring effective board composition and capacity of directors
2	<b>Auditors &amp; Audit-related Issues</b>	Ensuring assumptions made by management and reviewed by auditors are reasonable and justified, accuracy of financial statements, ensuring there is an effective audit committee, looking for comprehensive disclosures
3	<b>Capital Structure, Mergers, Asset Sales, and Other Special Transactions</b>	Ensuring effective pre-emptive rights prevent dilution of existing shareholder's interests, 'One vote for one share', assessment of share classes, focusing on the long-term economic interest of shareholders when it comes to mergers, asset sales and other special transactions

4	<b>Executive Compensation</b>	Assessment of compensation structures, look for compensation structure that incentivizes and rewards executives appropriately, clear link between variable pay and operational and financial performance, inclusion of performance metrics that are stretching and aligned with a company's strategy and business model
5	<b>Material Sustainability-related Risks and Opportunities</b>	Look to see if material sustainability-related risks and opportunities for the business have been dealt with effectively, setting robust reporting expectations, supporting TCFD and SASB standard reporting, supporting UN , OECD The International Sustainability Standards Board (ISSB) standards, IFRS S1 and S2 sustainability guidance, treating Climate Risk as a defining factor for a company's long-term prospects
6	<b>General Corporate Governance Matters and Shareholder Protections</b>	Setting expectations around material and timely information disclosures on the financial performance and ongoing viability of the company, public information on company governance structures and the rights of shareholders, ensuring shareholders have the right to vote on key corporate governance matters
7	<b>Shareholder Proposals</b>	Evaluation of each shareholder proposal on its merits, with a singular focus on implications for long-term value creation, assessing whether management has met the intent of any shareholder proposal, support of proposals that are reasonable and not unduly constraining of management

**Is Voting Activity in Line with the Scheme's Policy?**

**Yes**

Some examples of the manager's voting activity are provided in Section 7 – Significant Votes

### Minerva Says

- BlackRock have set out how they approach their stewardship responsibilities for listed companies on behalf of their clients.
- From the information available, we believe that the voting approach is consistent with the Scheme's voting approach expectations of its investment managers.

# 5 Manager Voting Policy

As the current approach of the Scheme is to use the voting policy of the external asset managers, it is important that these policies are independently reviewed to ensure that they match current good practice and the general stewardship expectations set by the Scheme. Well-managed companies that operate in a commercially, socially and environmentally responsible manner are expected to perform better over the longer term, as the Scheme believe that adopting such an approach will allow each company's management to identify, address and monitor the widest range of risks associated with their specific business.

Set out in the following table is Minerva's independent assessment of the Scheme's managers' publicly available voting policies, in the context of current good practice as represented by the ICGN Voting Guidelines, whilst also bearing the Scheme's stewardship expectations in mind. This has been done for each manager where they have identified voting activity on behalf of the Scheme.

We have assessed each manager's policy individually, looking at it from Minerva's perspective of seven 'Voting Policy Pillars' that are at the core of our proxy voting research process, and which we have developed over the last 25 years. In using this well-tried approach, the Scheme can be sure that their investment managers voting policies are being carefully considered against current good practice.

**Table 5.1: Voting Policy Alignment**

**Manager Voting Policy Alignment with Current Good Practice**

Investment Manager	Audit & Reporting	Board	Capital	Corporate Actions	Remuneration	Shareholder Rights	Sustainability
BlackRock	Limited Disclosures	Aligned	Aligned	Aligned	Aligned	Aligned	Aligned
Comments	<b>Audit &amp; Reporting:</b> BlackRock has shown a medium level of sensitivity to issues related to Audit & Reporting based on its public voting policy disclosures. There is a lack of public disclosure on the approach taken in areas of concern such as the assessment of investee companies' internal control system and internal audit function. Furthermore, BlackRock's public voting policy does not contain a clear position on key areas concerning the external auditors' tenure and rotation.						

**Table Key**

- Aligned** This aspect of the manager's voting policy is aligned with good practice
- Limited Disclosures** This policy pillar could only be partially assessed on the information available in the manager's voting policy
- No Disclosures** This policy pillar could not be assessed due to a lack of information in the manager's voting policy
- Not Available** The manager's voting policy was not disclosed for analysis by Minerva



## Minerva Says

BlackRock's voting policy is, in our view, broadly in line with good practice, and is what we would expect to see from such a large asset steward.



# 6 Manager Voting Behaviour

The Trustee believes that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, it expects the Scheme's managers to vote at the majority of investee company meetings every year, and to provide sufficient information as to allow for the independent assessment of their voting activity.

The table below sets out the voting behaviour as disclosed by the each of the Scheme's managers:

**Table 6.1: Manager Voting Behaviour**

Manager	Fund	No. of Meetings	No. of Resolutions				
		Eligible for Voting	Eligible for Voting	% Eligible Voted	% Voted in Favour	% of Voted Against	% Abstain
BlackRock	iShares MSCI EM UCITS ETF	2,497	20,654	97.0%	87.0%*	12.0%*	2.0%*
	<p><b>Comments</b></p> <p>The Fund of Funds manager provided summarised voting records for some of the underlying funds. BlackRock, one of the underlying fund managers, provided data for iShares MSCI EM UCITS ETF that covered the period from 01/04/23 to 31/03/24, rather than the Scheme's specific investment holding period.</p> <p>From the summarised information provided, we can see that the underlying manager has voted at almost all investee company meetings, which is in line with the Trustee's stewardship expectations.</p>						

\*BlackRock provided the following clarification: '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.'

## Minerva Says

We believe that BlackRock have followed the Scheme's requirements in relation to voting activity, as stated in the Scheme's SIP:

***The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.***

# 7 Significant Votes

Set out in the following section are 5 examples of the Scheme's manager(s) voting behaviour from the relevant fund(s) in which the Scheme was invested. A 'Significant Vote' relates to any resolution at a company that meets one of the following criteria:

1. Identified by the manager themselves as being of significance;
2. Contradicts local market best practice (e.g., the UK Corporate Governance Code in the UK);
3. Is one proposed by shareholders that attracts at least 20% support from investors;
4. Attracts over 10% dissenting votes from shareholders.

Where the manager has not provided sufficient data to identify 'Significant Votes' based on criteria 2-4 above, we have used manager-identified examples:

**Table 7.1 BlackRock's 'Significant Votes'**

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
BlackRock	iShares MSCI EM UCITS ETF	Zhejiang Expressway Co., Ltd.	04/05/23	<b>BIS does not typically provide this information. We have directed clients to look this information up themselves.</b>	Amend Articles of Association	Against	Withdrawn
<b>Why a 'Significant Vote?'</b>							
Vote Bulletin; BIS periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions we expect will be of particular interest to clients. Our vote bulletins can be found here: <a href="https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins">https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins</a>							
<b>Manager's Vote Rationale:</b>							
[SF-M0100-001] On balance, we find that shareholders' rights are likely to be diminished in material ways under the new Charter/Articles/Bylaws.							
<b>Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?</b>							

We endeavor to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. Our voting decisions reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues.

Our market-specific voting guidelines are available on our website at <https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines>

#### Next Steps / Implications of the Outcome:

BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. Our Global Principles describe our philosophy on stewardship, including how we monitor and engage with companies. These high-level principles are the framework for our more detailed, market-specific voting guidelines. We do not see engagement as one conversation. We have ongoing direct dialogue with companies to explain our views and how we evaluate their actions on relevant ESG issues over time. Where we have concerns that are not addressed by these conversations, we may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, we monitor developments and assess whether the company has addressed our concerns.

#### Relevance to Manager's Stated Policy:

Boards & Directors	Auditors & Audit-related Issues	Capital Structure, Mergers, Asset Sales, and Other Special Transactions	Executive compensation	Material sustainability-related risks and opportunities	<b>General Corporate Governance Matters and Shareholder Protections</b>	Shareholder Proposals
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**The manager has provided little rationale in support of their voting activity**

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
BlackRock	iShares MSCI EM UCITS ETF	Shin Kong Financial Holding Co. Ltd.	09/06/23	BIS does not typically provide this information. We have directed clients to look this information up themselves.	Elect CHANG, JUNG-FENG, with SHAREHOLDER NO.H101932XXX as Independent Director	For	Fail

#### Why a 'Significant Vote'?

Vote Bulletin; BIS periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions we expect will be of particular interest to clients. Our vote bulletins can be found here: <https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins>

**Manager’s Vote Rationale:**

[HK-S0000-001] Proposal considered to be in the best interests of shareholders.

**Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?**

We endeavor to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company’s approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company’s unique circumstances where relevant. Our voting decisions reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues.

Our market-specific voting guidelines are available on our website at <https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines>

**Next Steps / Implications of the Outcome:**

BlackRock’s approach to corporate governance and stewardship is explained in our Global Principles. Our Global Principles describe our philosophy on stewardship, including how we monitor and engage with companies. These high-level principles are the framework for our more detailed, market-specific voting guidelines. We do not see engagement as one conversation. We have ongoing direct dialogue with companies to explain our views and how we evaluate their actions on relevant ESG issues over time. Where we have concerns that are not addressed by these conversations, we may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, we monitor developments and assess whether the company has addressed our concerns.

**Relevance to Manager’s Stated Policy:**

Boards & Directors	Auditors & Audit-related Issues	Capital Structure, Mergers, Asset Sales, and Other Special Transactions	Executive compensation	Material sustainability-related risks and opportunities	General Corporate Governance Matters and Shareholder Protections	Shareholder Proposals
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**The manager has provided little rationale in support of their voting activity**

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
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BlackRock	iShares MSCI EM UCITS ETF	Shin Kong Financial Holding Co. Ltd.	09/06/23	BIS does not typically provide this information. We have directed clients to look this information up themselves.	Elect CHEN, HWAI-CHOU, with SHAREHOLDER NO.L101120XXX as Non-independent Director	Against	Pass
<b>Why a 'Significant Vote?</b>							
Vote Bulletin; BIS periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions we expect will be of particular interest to clients. Our vote bulletins can be found here: <a href="https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins">https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins</a>							
<b>Manager's Vote Rationale:</b>							
[SF-M0201-123] We believe that it is not in the best interests of shareholders to have this particular director on this board.							
<b>Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?</b>							
We endeavor to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. Our voting decisions reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues.							
Our market-specific voting guidelines are available on our website at <a href="https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines">https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines</a>							
<b>Next Steps / Implications of the Outcome:</b>							
BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. Our Global Principles describe our philosophy on stewardship, including how we monitor and engage with companies. These high-level principles are the framework for our more detailed, market-specific voting guidelines. We do not see engagement as one conversation. We have ongoing direct dialogue with companies to explain our views and how we evaluate their actions on relevant ESG issues over time. Where we have concerns that are not addressed by these conversations, we may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, we monitor developments and assess whether the company has addressed our concerns.							
<b>Relevance to Manager's Stated Policy:</b>							
<b>Boards &amp; Directors</b>	<b>Auditors &amp; Audit-related Issues</b>	<b>Capital Structure, Mergers, Asset Sales, and Other Special Transactions</b>	<b>Executive compensation</b>	<b>Material sustainability-related risks and opportunities</b>	<b>General Corporate Governance Matters and Shareholder Protections</b>	<b>Shareholder Proposals</b>	

The manager has provided little rationale in support of their voting activity

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
BlackRock	iShares MSCI EM UCITS ETF	Shin Kong Financial Holding Co. Ltd.	09/06/23	BIS does not typically provide this information. We have directed clients to look this information up themselves.	Elect WU, HSIN-TUNG, a Representative of SHIN CHENG INVESTMENT CO., LTD., with SHAREHOLDER NO.00415689, as Non-independent Director	Against	Fail
<b>Why a 'Significant Vote'?</b>							
Vote Bulletin; BIS periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions we expect will be of particular interest to clients. Our vote bulletins can be found here: <a href="https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins">https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins</a>							
<b>Manager's Vote Rationale:</b>							
[SF-M0201-123] We believe that it is not in the best interests of shareholders to have this particular director on this board.							
<b>Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?</b>							
We endeavor to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. Our voting decisions reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues.							
Our market-specific voting guidelines are available on our website at <a href="https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines">https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines</a>							
<b>Next Steps / Implications of the Outcome:</b>							
BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. Our Global Principles describe our philosophy on stewardship, including how we monitor and engage with companies. These high-level principles are the framework for our more detailed, market-specific voting guidelines. We do not see engagement as one conversation. We have ongoing direct dialogue with companies to explain our views and how we evaluate their actions on relevant ESG issues over time. Where we have concerns that are not addressed by these conversations, we may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, we monitor developments and assess whether the company has addressed our concerns.							

Relevance to Manager's Stated Policy:						
<b>Boards &amp; Directors</b>	Auditors & Audit-related Issues	Capital Structure, Mergers, Asset Sales, and Other Special Transactions	Executive compensation	Material sustainability-related risks and opportunities	General Corporate Governance Matters and Shareholder Protections	Shareholder Proposals
<b>The manager has provided little rationale in support of their voting activity</b>						

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
BlackRock	iShares MSCI EM UCITS ETF	Zhejiang Expressway Co., Ltd.	24/07/23	BIS does not typically provide this information. We have directed clients to look this information up themselves.	Approve Class and Nominal Value of Rights Shares	For	Pass

#### Why a 'Significant Vote'?

Vote Bulletin; BIS periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions we expect will be of particular interest to clients. Our vote bulletins can be found here: <https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins>

#### Manager's Vote Rationale:

N/A

#### Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

We endeavor to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. Our voting decisions reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues.

Our market-specific voting guidelines are available on our website at <https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines>

**Next Steps / Implications of the Outcome:**

BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. Our Global Principles describe our philosophy on stewardship, including how we monitor and engage with companies. These high-level principles are the framework for our more detailed, market-specific voting guidelines. We do not see engagement as one conversation. We have ongoing direct dialogue with companies to explain our views and how we evaluate their actions on relevant ESG issues over time. Where we have concerns that are not addressed by these conversations, we may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, we monitor developments and assess whether the company has addressed our concerns.

**Relevance to Manager's Stated Policy:**

<b>Boards &amp; Directors</b>	<b>Auditors &amp; Audit-related Issues</b>	<b>Capital Structure, Mergers, Asset Sales, and Other Special Transactions</b>	<b>Executive compensation</b>	<b>Material sustainability-related risks and opportunities</b>	<b>General Corporate Governance Matters and Shareholder Protections</b>	<b>Shareholder Proposals</b>
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The manager has not provided any rationale in support of their voting activity

**Minerva Says**

We have highlighted a number of instances where the information provided by BlackRock does not meet reporting expectations, and so does not fully support the Trustees in terms of their own Implementation Statement reporting requirements.



# 8 Manager Engagement Information

The Trustee have set the following expectation in the Scheme's SIP in relation to its managers' engagement activity:

**The investment managers should engage with companies to take account of ESG factors in the exercise of such rights, as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.**

**The Trustee also expects the fund manager to engage with investee companies on the capital structure and management of conflicts of interest.**

**If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment manager's policy. If this fails, the Trustee will review the investments made with the investment manager.**

The Trustee believes that an important part of responsible oversight is for the Scheme's investment managers to engage with the senior management of investee companies on any perceived risks or shortcomings – both financial and non-financial – relating to the operation of the business, with a specific focus on ESG factors. As such, they expect the Scheme's managers to engage with investee companies where they have identified any such issues.

The following table(s) summarises the engagement activity of the manager(s):

**Table 8.1: Summary of Engagement Information Provided**

Manager	Engagement Information Obtained	Level of Available information	Info Covers Scheme's Reporting Period?	Comments
Scottish Widows (BlackRock)	YES	FUND	PART	The manager provided <b>basic fund level information</b> covering the <b>period from 01/04/23 to 31/03/24</b> rather than for the Scheme's specific reporting period

## Table Key

**GREEN = A positive result.** The manager has provided engagement information / fund level info available / matches the Scheme's reporting / investment holding period

**ORANGE = A 'partial' result.** We had to try to source engagement information / firm level info available / does not match the Scheme's reporting / investment holding period

**RED = A negative result.** No engagement information was located at any level

# Scottish Widows (BlackRock)

Fund(s)	Period Start	Period End	No. of Engagements	Breakdown of Engagement Topics Covered				Outcomes	
				Environmental	Social	Governance	Other	Resolved	Ongoing
iShares MSCI EM UCITS ETF	01/04/23	31/03/24	1347	18.0%	15.5%	66.5%	0.0%	Not Stated	Not Stated

Aspect of Engagement Activity	Details
Key Points of the Manager's Engagement Policy	<p>BlackRock explains their approach to engagement in their Investment Stewardship, Engagement Priorities Summary document:</p> <p><i>'BIS takes a constructive, long-term approach to our engagement with companies and focuses on the management and oversight of the drivers of risk and financial value creation in a company's business model. Engagement is core to our stewardship efforts as it provides us with the opportunity to improve our understanding of a company's business model and the risks and opportunities that are material to how they create financial value. Engagement may also inform our voting decisions for those clients who have given us authority to vote on their behalf, particularly on issues where company disclosures are not sufficiently clear or complete, or management's approach seems misaligned with the financial interests of long-term shareholders.'</i></p> <p>BlackRock's Engagement Priorities:</p> <ol style="list-style-type: none"> <li>1. Board quality and effectiveness- quality leadership, board composition, effectiveness, diversity and accountability</li> <li>2. Strategy, purpose, and financial resilience- <i>'Clear purpose supports a clear sense of direction in corporate leadership, and helps companies to compete, navigate short-term challenges, and achieve long-term growth.'</i></li> <li>3. Incentives aligned with financial value creation- Appropriate incentivizing and rewarding executives for the successful delivery of strategic goals and financial outperformance against peers drives financial long-term value creation</li> <li>4. Climate and natural capital- <i>'BlackRock's approach to climate-related risk, and the opportunities presented by the low-carbon transition, is based on our fundamental role as a fiduciary to our clients. Our role is to help our clients navigate investment risks and opportunities; it is not our role to engineer a specific decarbonization outcome in the real economy. The management of nature-related risks and opportunities is a component of the ability to generate long-term financial returns for companies whose strategies or supply chains are materially reliant on natural capital. For these companies, we look for disclosures to assess risk oversight and to understand how nature-related impacts and dependencies are considered within the company's strategy.'</i></li> <li>5. Company impacts on people- <i>'BIS focuses on understanding the effectiveness of boards and management in ensuring a company has the workforce necessary for delivering long-term financial performance. BIS looks to companies to demonstrate a robust approach to human capital management (HCM) and provide shareholders with the necessary information to understand how the approach taken aligns with the company's stated strategy and business model. BIS engages with companies on how they manage the human rights issues that are material to their businesses and monitor the effectiveness of their human rights practices on a best-efforts basis.'</i></li> </ol>

<p>Additional information on Engagements provided by the Manager</p>	<p>Whilst the manager provided a list of engagements undertaken on investments in the fund during the period shown above, no additional information was provided in terms of:</p> <ul style="list-style-type: none"> <li>▪ engagement objectives</li> <li>▪ collaborative engagements</li> <li>▪ process for escalating ineffective engagement and</li> <li>• whether any fintech solution was used to facilitate engagement</li> </ul>
<p>Comparison of the Manager's Engagement Activity vs the Trustee's policy</p>	<p>An example of a reported engagement for the iShares MSCI EM UCITS ETF is shown below:</p> <p><b><u>09/11/23 – Axis Bank Ltd – Engagement on Environmental, Social and Governance Issues</u></b></p> <p><b><u>Engagement Method:</u></b> Video</p> <p><b><u>Engagement Details:</u></b></p> <p><i>Environmental = Climate Risk Management</i>  <i>Governance = Board Composition and Effectiveness / Remuneration</i>  <i>Social = Human Capital Management</i></p> <p><b><u>Engagement Outcome:</u></b> Not stated.</p>
<p>Is Engagement Activity in Line with the Trustee's Policy?</p>	<p><b>Whilst we believe that the Manager's engagement approach is consistent with the Scheme's approach, we believe that the Manager should be able to provide more information relating to engagements undertaken at fund level and the information provided should match the Scheme's investment holding period.</b></p>

### Minerva Says

Scottish Widows PM Consensus Fund is a 'Fund of Funds' that invests in several funds run by other investment managers. Consequently, the analysis of engagement activity of only one of the underlying fund managers, BlackRock, was conducted. From the information provided, it seems that BlackRock's 'Engagement Activity' broadly appears to comply with their own engagement approach, and so also complies with the Scheme's approach.

# 9 Conclusions

## 9.1 Assessment of Compliance

In this report, Minerva has undertaken an independent review of the Scheme's external asset managers' voting and engagement activity. The main objective of the review is for Minerva to be in a position to say that the activities undertaken on the Scheme's behalf by its agents are aligned with its own policies.

Set out in the following table is Minerva's assessment of each manager's compliance with the Scheme's approach:

**Table 9.1: Summary Assessment of Compliance**

Fund / Product Manager	Investment Fund/ Product	Does the Manager's Reported Activity Follow the Scheme's Expectations:			Use of a 'Proxy Voter?'	UK Stewardship Code 2020 Signatory?	Overall Assessment
		Voting Activity	Significant Votes Identified	Engagement Activity			
Scottish Widows	Consensus Fund*	YES	YES	YES	ISS		<b>COMPLIANT</b>
	Cash Fund	N.I.R.	N.I.R.	N.I.R.	N/A	YES	N.I.R.
	Index Linked Gilt Tracker Fund	N.I.R.	N.I.R.	N.I.R.	N/A		N.I.R.

\* Scottish Widows Consensus Fund is a 'Fund of Funds' that invests in several funds run by other investment managers. As agreed with Dalriada, a full analysis of 'Fund of Funds' is beyond the scope of the current VEI Report service. Partial voting and engagement information has been provided for one of the underlying funds, BlackRock iShares MSCI EM UCITS ETF.

### Table Key

**GREEN**=Positive outcome e.g., Manager's reported activity follows the Scheme's expectations

**ORANGE**=An issue exists e.g., the information provided does not match the Scheme's reporting / investment holding period

**BLUE**=Manager has confirmed that there is no voting, 'Significant Votes' or engagement information to report (N.I.R.)

**RED**=Negative outcome e.g., no information provided (N.I.P.); Manager is not a signatory to the UK Stewardship Code 2020

**GREY**=Not Applicable e.g., there has been no 'Proxy Voter' used due to the nature of the investments held



## Minerva Says

### **Overall Assessment:**

Scottish Widows PM Consensus Fund is a 'Fund of Funds' that invests in several funds run by other investment managers, As agreed with Dalriada, a full analysis of 'Fund of Funds' is beyond the scope of the current VEI Report service. However, we have added voting and engagement information for one of the underlying Funds, BlackRock iShares MSCI EM UCITS ETF, to provide the Trustee with some insight into the stewardship activities undertaken on that Fund.

### **Notes**

1) The preceding table shows that Minerva has been able to determine that:

- We were disappointed with the voting and engagement data provided by BlackRock, in terms of not specifically covering the Scheme's investment holding period as well as providing limited information in relation to significant votes and engagement activities.

# About Minerva

Minerva helps investors and other stakeholders to overcome data disclosure complexity with robust, objective research and voting policy tools. Users can quickly and easily identify departures from good practice based on their own individual preferences, local market requirements or apply a universal good practice standard across all markets.

For more information please email [hello@minerva.info](mailto:hello@minerva.info) or call + 44 (0)1376 503500

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## Conflicts of Interest

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