

BIG THINKING FOR SMALL SCHEMES

Implementation Statement

Presbyterian Church in Ireland Pension Scheme (2009)

31 December 2023



1. Introduction

Under regulatory requirements, trustees are required to prepare and review an implementation statement outlining their approach and stewardship dealing with certain specific matters with regards to their Environmental, Social and Governance (ESG) principles outlined in their latest Statement of Investment Principles (SIP).

This Statement sets out the principles governing decisions about the ESG aspect of investment of the assets of Presbyterian Church in Ireland Pension Scheme (the Scheme). In preparing it, the Trustees obtained written reporting on these matters from Barker Tatham Investment Consultants Limited as its investment consultants.

2. ESG Principles

Environmental, Social and Corporate Governance Policies

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees' policy on ethical investment is as far as practical to have minimal investment in a company where all or a substantial part of the business involves alcohol, tobacco, gambling or the arms trade. It acknowledges that it cannot directly influence the environmental, social and governance ("ESG") policies and practices of the companies in which the pooled funds invest as index tracking funds are being used for equity investment and therefore limits their equity investments to 'Ethical' versions of these index funds. The Trustees also acknowledge that where index tracking pooled vehicles are employed not all ESG considerations can be taken into account due to the nature of the investment. As part of the Scheme's considerations to their ESG commitments they have invested in the Ethical Global Equity Index Fund with LGIM. The Trustees encourage and expects their fund manager to actively participate in engagement activities in respect of investments (stewardship).

Further information on the Trustees' policies can be found in the latest SIP updated in July 2023.

In the Trustees' opinion, their policies, as recorded in the SIP, have been followed over the 12-month period to 31 December 2023.

The following pages illustrate how the Trustees, through their fund manager, have followed their stewardship and engagement policies.

3. Investments Attitudes to ESG

Fund Manager/Fund	ESG Description
<p>LGIM</p> <p>Managed Property Fund</p> <p>Ethical Global Equity Index Fund</p> <p>Dynamic Diversified Fund</p> <p>LDI Matching Core Fixed (Long) Fund</p> <p>LDI Matching Core Real (Long) Fund</p>	<ul style="list-style-type: none"> <p>Fund Manager Overview</p> <p>LGIM’s ultimate goal is to protect and enhance the investment returns generated by their clients’ assets whilst aiming to have a long-standing commitment to raising corporate governance and sustainability standards to ultimately enhance the value of companies in which they invest.</p> <p>LGIM has publicly committed to the following three goals as part of their five-year strategic plan:</p> <ul style="list-style-type: none"> • Influencing the transition to a low-carbon economy • Making society more resilient with our financial solutions • Creating new investments for the future economy <p>Further information on how they can receive these goals is publicly available on the parent company Legal & General Group plc’s reporting on corporate responsibility.</p> <p>https://www.legalandgeneralgroup.com/csr/csr-reports/</p> <p>ESG Integration</p> <p>LGIM uses a bottom-up and a top-down approach to monitoring and analysis as well as using ESG information that comes out from engagement meetings with companies. LGIM’s ESG scoring tool assesses companies in 17 different sectors on their disclosure, policies and processes for managing ESG risks. LGIM has set up three long-term thematic working groups (demographics, energy and technology) that undertake top-down research and analysis of macroeconomic issues, related to responsible investment and ESG. Direct engagement with companies is a way LGIM seek to identify ESG risks and opportunities. LGIM have an escalation policy to tackle difficult and inter-connected ESG issues that materially impact the value of assets.</p> <p>LGIM have an Active ESG View tool that forms an essential component of the overall active research process. The tool brings together granular quantitative and qualitative inputs in order to reflect a full picture of the ESG risks and opportunities embedded within each company. ESG risks vary across sectors and therefore the proprietary tool LGIM has developed, evaluates sector specific ESG factors, spanning 64 specific sectors and sub-sectors. LGIM incorporate a qualitative</p>

approach on top of this as data alone may not tell the full story.

- **Active Ownership (1 year to 31 December 2023)**
LGIM report annually on their active ownership to 31 March each year and have provided quarterly reporting on their proxy voting 12 months to 31 December 2023. LGIM's Corporate Governance team casts proxy votes in a manner consistent with the interests of all clients. They direct the vote of a significant proportion of a company's shares by exercising the shareholder rights of almost all clients. LGIM acknowledges that the Scheme as one of their clients, in giving LGIM their mandate, require LGIM to vote with the shares on behalf of the Scheme. LGIM therefore aim to minimise abstaining from voting, only doing so if it is technically not possible to cast a vote in any other way.

LGIM's voting decisions are made internally within the corporate governance team, and independently from the investment teams. LGIM have in place supplementary regional policies setting out their voting approaches publicly on their website however various other factors may also help them form a view on voting matters. These consist of; previous engagements, third-party research (e.g. ESG reports, broker research), company performance and LGIM's in-house views with respect to their investment teams.

The following paragraphs relate to the active ownership or approaches to ESG specific to the funds in which the Scheme is currently invested:

Managed Property Fund

LGIM recognise that the built environment has significant impact on UK society and its ecosystem. The fund managers are ultimately responsible for their respective vehicles and with their property managing agents for the integration and application of ESG principles to their portfolios. All Fund and Asset Managers have objectives linked to sustainability objectives, meaning successful delivery is linked to their remuneration.

Ethical Global Equity Index Fund

This fund tracks the performance of the FTSE 4Good Developed Index which is a series of benchmark and tradable indexes for ESG (Environmental, Social and Governance) investors. Over the 12 months to the end of December 2023, LGIM were eligible to vote at 1,175 meetings and on 16,787 resolutions over the 12-month period. LGIM voted on 99.9% of resolutions. 81.3% of

votes were votes with management, 18.5% were votes against and 0.2% were votes abstained from.

Dynamic Diversified Fund

Over the 12 months to end December 2023, LGIM were eligible to vote at 9,871 meetings and on 101,264 resolutions over the 12-month period. LGIM voted on 99.8% of resolutions. 76.6% of votes were votes with management, 23.2% were votes against and 0.2% were votes abstained from.

Matching Core LDI Real and Fixed Funds

LGIM aims to embed ESG where appropriate. Following a research meeting with LGIM on their LDI ranges, we could expect to a flexible incorporation of green gilt(s) in LDI mandates. These may be tailored to client specific ESG objectives, such as targeting a minimum proportion in green gilts. ESG is embedded within LGIM's counterparty review process via their Active ESG tool, alongside other business and financial risks, so that when they decide upon appropriate derivative counterparties, ESG considerations have already been captured. This integration has led to the exclusion of some counterparties from the list of eligible counterparties where required.

In February 2023, LGIM engaged with Capricorn Energy Plc after concern had spread over a number of transactions proposed by the board. LGIM had reason to believe that the directors of the company were intentionally attempting to undermine due process. Therefore, LGIM voted to have these directors removed from the board and for new ones to be appointed. It was in LGIM's view that meaningful board change was needed to restore investor confidence.

Also in Q1 2023, LGIM engaged with Air Products and Chemicals Inc. regarding their lack of gender diversity of the executive committee. LGIM voted against the election of Edward L Monser as Director as the company already has an all-male executive committee. LGIM expect that all companies should have a minimum of 33% of women on executive committees over time.

Another case study by LGIM looks at the company Toyota Motor Corp. On the 14 June 2023, LGIM voted for the resolution to report on Corporate Climate Lobbying Aligned with Paris Agreement. LGIM have acknowledged the progress that Toyota Motor Corp have made in relation to its climate lobbying disclosure in recent years and have welcomed planned improvements to expand this. However, LGIM also

expect Toyota Motor Corp to improve its governance structure to oversee the climate lobbying review.

A further case study by LGIM looks at the company FedEx Corporation. In Q3 2023, LGIM voted for the resolution to adopt a paid sick leave policy. LGIM believes that the adoption of such a policy for all employees is set to improve employee wellbeing which is critical to human capital management and gender equality.

Also in Q3 2023, LGIM engaged with Electronic Arts Inc. over the resolution to elect Director Andrew Wilson. LGIM voted against this resolution as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. LGIM believe that a separation of the roles is positive for culture, board discussions and shareholder rights.

An additional case study by LGIM looks at the company Qube Holdings Limited which, in Q4 2023, put forward a resolution to elect Jacqueline McArthur as Director. LGIM voted against this resolution and stands by the firm belief that all Australian companies should have at least a third of women on the board, and Qube Holdings only has one woman on the board.

• **References**

LGIM aims to implement best practice reporting to stakeholders including:

- Annual Active Ownership report
- Quarterly ESG Impact Report
- Public monthly voting reports