



Ulster Bank Pension Scheme
Implementation Statement
July 2024

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Background and Implementation Statement

Implementation Report

This Implementation Report is to provide evidence that the Ulster Bank Pension Scheme (the “Scheme”) continues to follow and act on the principles outlined in the Statement of Investment Principles (“SIP”).

The SIP can be found online [here](#) and any changes to the SIP are detailed in a later section.

Summary of key strategy actions undertaken over the Scheme’s reporting year

- The Trustee instructed Legal & General Investment Management (“LGIM”) to invest excess cash holdings into long-dated gilts to reduce the amount of leverage used in the Scheme’s liability hedging portfolio.
- The Scheme fully divested from its synthetic equity positions and invested the proceeds into the Scheme’s Buy and Maintain Credit Portfolio. This disinvestment was driven by the objective of taking risk out of the portfolio and in doing so bringing the expected return on the assets down closer in line with the Scheme’s target return.
- The Trustee also instructed the redemption of the Lothbury Property Trust holding ahead of the 15 September 2023 dealing deadline. Lothbury has since issued a fund termination notice, which was effective 30 May 2024.

A summary of the Scheme’s investments as at 31 December 2023 is shown in the table below.

Funds	Weighting (%)
LGIM Buy and Maintain Credit	17.2
LGIM Special Situations Fund	2.9
LGIM Secure Income Assets Fund	3.9
Man Group US Real Estate Debt	6.1
Vantage Infrastructure Debt	4.1
Gramercy EM Debt	3.0
Nephila Catastrophe Insurance	0.4
Leadenhall Life Linked Insurance	3.7
Lothbury UK Core Property	1.5
LGIM Long Lease Property	3.4
Navis Private Equity	0.0
LGIM Liability Hedging Portfolio	53.8
Total	100.0
Total Investments (excluding AVCs)	£762.0m

Implementation Statement

This report demonstrates that the Trustee of the Ulster Bank Pension Scheme has adhered to its investment principles and its policies for managing financially material considerations including Environmental, Social and Governance (“ESG”) factors and climate change.

Signed

Position

Date

How voting and engagement policies have been followed

The Trustee reviews and monitors the voting and engagement activity taken on its behalf on an annual basis. Voting activity is not applicable this year as the Scheme did not hold equity investments with voting rights. The information published by the Scheme's investment managers has provided the Trustee with comfort that the engagement policies have been followed during the year. Details of specific engagement topics are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of Trustee?	Comments
Performance of debt or equity issuer	✓	c. 80% of the Scheme's assets were managed by LGIM at the Scheme year end. LGIM's voting and engagement policies do not cover the past financial performance of investee companies. However, the engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy and corporate governance	✓	<p>The Trustee believes that the duty of the board of each company is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that the appropriate governance structures need to be in place. These include the separation of duties between the board and the CEO, as well as policies covering independence, diversity and remuneration.</p> <p>LGIM has clear voting and engagement policies covering each of these topics and has acted on them throughout the Scheme year on behalf of the Trustee. For example, in 2023 LGIM further enhanced its global policy expectations that at least one-third of the directors on non-controlled company boards are women.</p>
Risks	✓	<p>The investment managers have policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>As an example of reducing risk, LGIM encourages all audit committee chairs globally to have financial expertise and be entirely comprised of independent non-executive directors.</p> <p>Before making any investment decisions, Lothbury completed a risk identification process which included assessing the sustainability credentials of potential investments. As part of this assessment, Lothbury considered key environmental and social metrics including EPC rating, renewable energy generation and flood risk.</p>
Social and Environmental impact	✓	<p>LGIM has acted against almost 300 companies in 2023 under their Climate Impact Pledge in order to hold directors to account for their management of climate risk. This included two companies being divested, and one company being reinstated. LGIM's Climate Impact Pledge now covers more than 5,000 companies across 20 climate-critical sectors.</p> <p>Gramercy is concerned about the financial impact deforestation and conversion may have on portfolio companies. During the Scheme year, Gramercy engaged with relevant portfolio companies and encouraged them to sign up to the World Wildlife Fund's Deforestation and Conversion Free Implementation Toolkit. Gramercy is taking the output from this analysis to work with portfolio companies to produce implementation plans to achieve deforestation and conversion-free supply chains.</p>
Conflicts of Interest	✓	Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period under

		review, at a firm level LGIM voted against incentive awards which did not have performance conditions or where clear guidelines were not in place, as these awards would not align remuneration with company performance.
Capital Structure	✓	LGIM has policies relating to changes to company capital structure such as share repurchase proposals and new share issuance. For example, LGIM has advocated for equal voting rights under a 'one share, one vote' standard.

Changes to the SIP

The Scheme’s SIP was updated in September 2020 to include policies on:

- How ‘financially material considerations’ including Environmental, Social and Governance (‘ESG’) factors are taken into account when making investment decisions for the Scheme.
- The extent to which non-financial matters are taken into account in the investment decision-making process.
- Stewardship and voting, including details on monitoring and engaging with the companies in which they invest (and other relevant stakeholders) on relevant matters (including performance, strategy, risks, corporate governance and ESG).

The Trustee later expanded the stewardship policy to include engagement on the matters of capital structure and the management of actual or potential conflicts of interest.

The SIP was last reviewed during 2022. There were no changes made to the Scheme’s SIP over the year to 31 December 2023.

Voting

There is no voting data to report given the Scheme did not hold any equity investments with voting rights throughout the Scheme year.

Engagement Activity

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 December 2023 detailed in the table below where available.

The Trustee has not communicated engagement priorities or preferences to its investment managers over the period, as the Trustee is yet to develop a policy on engagement priorities. In future, the Trustee will consider setting engagement priorities to start to monitor engagement activity against these.

Fund name	Engagement summary	Commentary
Gramercy EM Debt Fund	Gramercy did not provide overall Fund engagement statistics but did provide examples of notable engagements over the year period.	As an example, Gramercy engaged with a Brazilian issuer's sustainability director to discuss the company's ESG agenda. Gramercy asked the issuer to undertake a thorough water risk assessment and establish a comprehensive water stewardship strategy. Gramercy also engaged with a Chilean issuer on improving their governance practices and internal controls.
Leadenhall Life Linked Insurance Fund	<p>Total Engagements: 6</p> <p>Environment: 0</p> <p>Social: 6</p> <p>Governance: 6</p> <p>Other: 6</p>	<p>At a firm level, Leadenhall joined an insurance-linked securities ("ILS") industry wide group called ILS ESG Transparency Initiative. The group has brought together ILS managers to collaborate to improve ESG disclosures by encouraging improved disclosures from reinsurers.</p> <p>Leadenhall engaged on public policy with regards to ESG with the EU, UK Financial Conduct Authority ("FCA") and Department for Work and Pensions ("DWP"). Leadenhall responded to comments on how Sustainable Finance Disclosure Regulation (EU) and Sustainability Disclosure Agreements ("FCA") should be further developed as well as DWP's Social Taskforce's consultation. Leadenhall made the case that ESG metrics should be defined for ILS so that the asset class's ESG characteristics are more formally recognised.</p>
LGIM Buy & Maintain Credit	<p>Total Engagements: 47</p> <p>Environment: 12</p> <p>Social: 11</p> <p>Governance: 19</p> <p>Other: 5</p>	The Trustee has an exclusions list in place with LGIM to not invest in companies in industry sectors where it believes that a breach of the ten UN Global Compact Principles or the Trustee's broader ESG principles is more likely to occur. This list also excludes investment in power generation and mining companies where revenue derived from coal exceeds 50% and investment in the debt of oil and gas production with a maturity greater than 5 years (subject to a pricing threshold).

Fund name	Engagement summary	Commentary
LGIM LPI Property Fund		<p>LGIM was unable to provide granular breakdowns for each engagement the mandate had over the period. However, they were able to provide some of the main reasons for engagement. The following list is some of the examples:</p> <ul style="list-style-type: none"> • Disclosure & Transparency • Climate Change • Remuneration • Gender Diversity
	Total Engagements: 25	<p>LGIM was unable to provide granular breakdowns for each engagement the Fund had over the period. However, they were able to provide some of the main reasons for engagement. The following list is some of the examples:</p> <ul style="list-style-type: none"> • Board Composition • Climate Change <p>LGIM has implemented a transparent procedure where ESG factors are a fundamental element in their asset and portfolio selection process. Despite not utilising an ESG scorecard, LGIM implements an ongoing ESG due diligence process by reviewing scores and ratings provided by the Global Real Estate Sustainability Benchmark ("GRESB") shaping LGIM's actions for improvement.</p>
	Environment: 19	
	Social: 0	
	Governance: 6	
LGIM Secure Income Asset Fund	Other: 0	
	Total Engagements: 25	<p>LGIM was unable to provide granular breakdowns for each engagement the Fund had over the period. However, they were able to provide some of the main reasons for engagement. The following list is some of the examples:</p> <ul style="list-style-type: none"> • Board Composition • Climate Change
	Environment: 19	
	Social: 0	
	Governance: 6	
LGIM Special Situations Fund	Other: 0	
	Total Engagements: 10	<p>LGIM was unable to provide granular breakdowns for each engagement the Fund had over the period. However, they were able to provide some of the main reasons for engagement. The following list is some of the examples:</p> <ul style="list-style-type: none"> • Deforestation • Corporate Strategy • Climate Impact Pledge
	Environment: 3	
	Social: 1	
	Governance: 3	
LGIM Liability Hedging Portfolio	Other: 3	
	N/a	<p>The majority of the Scheme's assets are invested in a liability hedging portfolio managed by LGIM that consists predominantly of nominal and index-linked government bonds, interest rate and inflation swaps and cash.</p> <p>LGIM has governance practices in place to capture key regulatory developments which</p>

Fund name	Engagement summary	Commentary
		might influence the future management and performance of these government backed assets.
Lothbury Core UK Property	No engagement data provided	Lothbury has not provided engagement data due to the notice of termination of the fund during the Scheme year.
Man Group US Real Estate Debt	No engagement data provided	Man Group has a Responsible Investment Policy that it applies at a total firm level, with a focus on data driven approaches, applying ESG factors/criteria in the decision making process and enhancing the value of client's interest through active engagement at an aggregate company level.
Vantage Infra debt Fund	<p>Total Engagements: 6</p> <p>Environment: 6</p> <p>Social: 0</p> <p>Governance: 0</p> <p>Strategy: 6</p> <p>Other: 0</p>	Vantage's debt team manages investments in private infrastructure companies which typically do not provide public ESG reporting. Over the last 12-months, Vantage's engagement focus has been on improving ESG transparency across the private infrastructure debt universe and seeking positive change at individual issuers in relation to climate risks and decarbonisation. Additionally, Vantage has undertaken bespoke engagement with individual issuers on a case by case basis where any credit or ESG issues have emerged.
Nephila Catastrophe Insurance Fund	No fund specific engagement data provided.	Nephila provided an updated copy of its Sustainability & Responsible Investment Policy which includes how Nephila carries out external engagement through various insurance investment networks and industry bodies to promote best practices. This includes the Global Impact Investing Network, Institutional Investors Group on Climate Change and Alternative Investment Management Association.
Navis Private Equity Fund	No engagement data provided.	Navis has a Responsible Investment Policy which details how Navis incorporates ESG into the investment process including principles on majority control, investing in industry leaders, taking a hands-on approach, lifecycle of investments and investment exclusions and sustainable growth. Navis' Responsible Investment Policy also explains how the manager reviews ESG performance on an ongoing basis and develops action plans to engage with underlying investment stakeholders with specialist consultants as required.

