

ULSTER BANK PENSION SCHEME

IMPLEMENTATION STATEMENT

Introduction

This statement has been prepared by the Trustee Directors of the Ulster Bank Northern Ireland Pension Trustee Limited ('the Trustee'), the trustee of the Ulster Bank Pension Scheme (the 'Scheme'), to demonstrate how the Trustee has complied with certain policies within its Statement of Investment Principles ('SIP'). This statement is known as the Scheme's Implementation Statement. The Trustee Directors are required to describe the voting behaviour by, or on behalf of, the Trustee Directors during the Scheme year and state the use of the services of a proxy voter during that year.

SIP policies on stewardship and engagement

The Scheme's SIP was updated in August 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 also expanded the stewardship policy to include engagement on the matters of capital structure and the management of actual or potential conflicts of interest.

Description of voting behaviour

The Scheme's listed equity investments are made through a segregated regulated utilities mandate managed by MFS International (U.K.) Limited ('MFS'). It should be noted that these investments constitute less than 2% of total scheme assets.

The Trustee has delegated the responsibility for exercising the voting rights on the shares held indirectly by the Scheme to MFS to enact on its behalf. The Trustee expects MFS to use all voting rights available on its behalf.

The following table describes the voting behaviour undertaken by MFS on the Trustee's behalf over the Scheme year to 31 December 2020:

MFS Regulated Utilities (c. £25m or 1.9% of Scheme assets as at 31 December 2020)	1 January 2020 – 31 December 2020
Number of meetings MFS was eligible to vote at over the year to 31/12/2020	51
Number of resolutions MFS was eligible to vote on over the year to 31/12/2020	660
Of the eligible resolutions, percentage that MFS voted on	100%
Of the resolutions voted, percentage that MFS voted with management.	95%
Of the resolutions voted, percentage that MFS voted against management.	5%
Of the resolutions voted, percentage where MFS abstained	6%*
Percentage of eligible meetings where MFS voted at least once against management.	36%
Percentage of voted resolutions where MFS voted contrary to the recommendation of their proxy adviser.	N/A

*MFS abstained from voting on 41 out of the 660 resolutions for which they were eligible to vote (c. 6%). Where MFS abstained and company management had issued a recommendation, these were counted as votes 'against' management for the purposes of the percentages above. Where MFS abstained and company management had not issued a recommendation, these were counted as votes 'with' management for the purposes of the percentages above.

MFS, on behalf of the Trustee, has entered into an agreement with Institutional Shareholder Services, Inc. (ISS) to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions. While MFS also receives research reports and vote recommendations from ISS and Glass, Lewis & Co., Inc., MFS analyses all proxy voting issues within the context of the MFS Proxy Policies, which are developed internally and independent of third-party proxy advisory firms. MFS' voting decisions are not defined by any proxy advisory firm benchmark policy recommendations. MFS has due diligence procedures in place to help ensure that the research it receives from its proxy advisory firms is accurate and reasonably addresses any potentially material conflicts of interest of such proxy advisory firms.

All proxy voting decisions are made in what MFS believes to be the best long-term economic interests of its clients.

Details of the most significant votes that took place during the reporting period includes:

- (1) A vote against management to appoint a director, as the nominee already serves on what MFS considers to be an excessive number of public company boards
- (2) A vote against management, to achieve greater transparency on political / lobbying expenditure

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies and is not directly applicable for the Scheme's fixed income investments within the LGIM Buy and Maintain Credit and private market investments as these investments do not carry voting rights. However, the Trustee expects the Investment Managers for these investments to engage on their behalf to influence in respect of the relevant matters outlined in the SIP.

Corporate Bonds

As at 31 December 2020, the Scheme had c. £329.6m (c. 24.3% of Scheme assets) invested in a bespoke buy and maintain credit mandate with Legal & General Investment Management ("LGIM"). Over the Scheme year, the Trustee had 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. Since the year end, the Trustee has further developed its Responsible Investment Policy and is in the process of agreeing an updated exclusions list.

The Scheme also holds an investment in a LGIM Special Situations Credit Fund (c. £20.6m or c. 1.5% of Scheme assets as at 31 December 2020).

At a LGIM firm-wide level over the year to 31 December 2020 LGIM held 891 engagements with 665 companies in which they invest. Of these, 401 of these engagements were on governance topics, 253 on social topics and 416 on environmental. Further information on the number and type of engagements over the Scheme year relating to the Scheme's specific mandates is not available from LGIM. LGIM is working to provide this information at a Scheme mandate level for future reporting purposes.

Real Estate

As at 31 December 2020, the Scheme had property investments in the Lothbury Property Trust (£14.3m or 1.1% of Scheme assets) and the LGIM LP Income Property Fund (£27.8m or 2.0% of Scheme assets). Both investment managers have initiatives in place to actively engage with the tenants of the properties held within the respective portfolios on ESG matters with the aim of improving the energy efficiency and social value in the local communities.

Alternative Investments

The Scheme holds alternative investments across real estate debt, infrastructure debt, private equity and emerging market debt (in aggregate c. £89.2m or c. 6.6% of Scheme assets as at 31 December 2020) for which engagement practices are relevant and applicable. The engagement is carried out by each of the respective investment managers and the Trustee has reviewed each managers' ESG and engagement practices to ensure that they have active engagement practices with initiatives to influence on ESG related factors and that these factors are considered when the managers are selecting and monitoring investments.

The remainder of the Scheme's alternative assets (c. £62.0m or 4.6% of assets as at 31 December 2020) are invested across life linked insurance and catastrophe reinsurance policies where engagement practices are not applicable.

Liability Hedging

The vast majority of the Scheme's assets (c. £790.3m or c. 58% of assets as at 31 December 2020) are invested in a liability hedging portfolio managed by LGIM consisting predominantly of nominal and index-linked government bonds and interest rate and inflation swaps. The purpose of this portfolio is to reduce risk by hedging the exposure to interest rate and inflation inherent in the Scheme's liabilities.

Extent to which Trustee's policies have been followed during the year

Having reviewed the actions taken by the investment manager on behalf of the Trustee, the Trustee believes the policies on voting rights and engagement have been implemented and followed over the Scheme year. The Trustee will continue to monitor the actions taken on its behalf each year.