The Presbyterian Church in Ireland Pension Scheme (2009)

**Implementation Statement for the year ended 31 December 2021**

**1. Introduction**

Under regulatory requirements, trustees are required to prepare and review an implementation statement outlining their approach 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 2020.

In the Trustees’ opinion, their policies, as recorded in the SIP, have been followed over the 12-month period to 31 December 2021.

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** – Legal & General Investment Management (LGIM)

**Funds**

- Managed Property Fund

- Ethical Global Equity Index Fund

- LDI Matching Core Fixed (Long) Fund

- LDI Matching Core Real (Long) Fund

**ESG Description**

**• Fund Manager Overview**

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.

LGIM has publicly committed to the following three goals as part of their five-year strategic plan:

• Influencing the transition to a low-carbon economy

• Making society more resilient with our financial solutions

• Creating new investments for the future economy

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.

**• ESG Integration**

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.

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

**• Active Ownership (Year to 31 December 2021)**

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 2021. 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 companies’ 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 the 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 engagement, 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 vehicle and with their property managing agents for the integration and application of ESG principles to their portfolios. LGIM aim to purchase properties where the buildings have a net zero carbon output. They aim to achieve this by carrying out due diligence audits of new builds and existing properties. This process covers ongoing tenancies as well. The property fund managers use the wider LGIM ESG capabilities to assist with these assessments.

**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 end December 2021, LGIM were eligible to vote at 968 meetings and on 13,534 resolutions over the 12- month period. LGIM voted on 100% of resolutions. 83.2% of votes were votes for management, 16.6% 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 a client-specific ESG objective such as targeting a minimum proportion in green gilts. LGIM also consider how ESG is incorporated in their counterparties which they use by reviewing quantitative and qualitative factors as well as overall governance.

A case study by LGIM looks at the company Informa Plc. In the company’s prior three Remuneration Policy votes, high levels of dissent were received, with 35% or more of votes cast against. At the December 2020 meeting, the Remuneration Policy and the Equity Revitalisation Plan (EVP) received over 40% of votes against. The EVP was structured to award the CEO restricted shares to a value of 600% of salary. LGIM has noted their concerns with the company’s remuneration practices for many years. Due to consistent problems with the implementation of the company’s Remuneration Policy, LGIM has voted against the Chair of the Remuneration Committee for the past three years. Given the company has implemented plans that received significant dissent from shareholders without addressing persistent concerns, on 3rd June 2021 LGIM decided to escalate their vote further to all incumbent Remuneration Committee members, namely Stephen Davidson (Remuneration Committee Chair), Mary McDowell and Helen Owers.

A further case study by LGIM looks at the company Dell Technologies which in June 2021, elected Michael S.Dell as a director who would serve as the combined CEO/Board chair. LGIM have a longstanding policy advocating for the separation of the roles of CEO and board chair. Hence, LGIM voted against the resolution to signal their concern regarding the possibility of conflict of interest.

**• References**

LGIM aims to implement best practice reporting to stakeholders including an:

- Annual Active Ownership report

- Quarterly ESG Impact Report

- Public monthly voting reports