

Implementation Statement

Irish League of Credit Unions (Northern Ireland) Pension Scheme

For the year ended 28 February 2023

Introduction

This Implementation Statement (the "Statement") has been prepared by the Trustees (the "Trustees") of the Irish League of Credit Unions Northern Ireland Pension Scheme (the "Scheme") to demonstrate how the Trustees have acted on certain policies within the Statement of Investment Principles (SIP).

Each year, the Trustees must produce an Implementation Statement that demonstrates how they have followed certain policies within the Scheme's SIP over the year. This Implementation Statement covers the Scheme year from 1 March 2022 to 28 February 2023.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit (DB) investments held by the Scheme.

Trustees of pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including (where applicable) a description of their voting behaviour, the most significant votes cast and any use of proxy voting on their behalf over the year.

SIP policies

This Implementation Statement should be read in conjunction with the Scheme's SIP covering the year under review, which provides details of the Scheme's investment policies along with details of the Scheme's governance structure and objectives.

The SIP was not updated during the Scheme year and was last updated in September 2021, following changes to the investment strategy and investment managers. The SIP includes policies on the following:

- 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, capital structure, strategy, risks, corporate governance, ESG and the management of actual or potential conflicts of interest).
- Enhanced policies on monitoring the Scheme's investment managers, particularly concerning financial arrangements, performance, ESG factors, engagement and the extent to which non-financial matters are taken into account.
- A policy on the duration of the Scheme's arrangement with the investment managers.

This Implementation Statement reviews the voting and engagement activities covering the 12-month period to the Scheme year-end and the extent to which the Trustees believe the policies within the SIP have been followed.

The Scheme was invested in pooled funds managed by Legal & General Investment Management ("LGIM") and Partners Group (UK) Limited ("Partners Group"), over the period from 1 March 2022 to 28 February 2023.

In the SIP, the Trustees stated the following policies on ESG considerations relating to their investments:

- *The core operating principles of Credit Unions are founded in the philosophy of cooperation and its central values of equality, equity and mutual self-help. In line with these operating principles, the Trustees acknowledge that certain ESG factors, including climate change and ethical considerations, are financially material and may therefore influence the risk and return characteristics of the Scheme's investments and the likelihood that the Scheme's objectives will be achieved.*
- *When choosing investments, the Trustees have considered risks, including Environmental, Social and Governance factors, which they believe to be financially material to the Scheme's investments over the period needed to fund its liabilities.*
- *The Trustees acknowledge that certain ESG factors, including climate change and ethical considerations, are financially material and may therefore influence the risk and return characteristics of the Scheme's investments and the likelihood that the Scheme's objectives will be achieved.*
- *The Trustees expect the investment managers to engage with investee companies (and other relevant persons including, but not limited to, investment managers, and issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustees' investments. The Trustees believe that such engagement will protect and enhance the long-term value of its investments.*
- *The Investment Managers are responsible for managing the Scheme's investments in accordance with the management agreements in place with the Trustees. The Trustees have delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Managers.*
- *In addition to performance measures, the Trustees will review the engagement activity of the Investment Managers to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees also monitors the voting activity of the Investment Managers to ensure votes are being used and are aligned to its views on ESG.*
- *If the Trustees believe that the Scheme's Investment Managers are no longer acting in accordance with the Trustees' stated approach and guidelines, as well as the Trustees' policies regarding ESG and engagement with investee organisations, the Trustees will take the following steps:*
 - *engage with the Investment Managers in the first instance, in an attempt to influence their policies on ESG and stewardship; and*
 - *if necessary, look to appoint a replacement investment manager or managers which are more closely aligned with the Trustees' policies and views.*

Description of voting behaviour

The Scheme invests in pooled funds, which means that the responsibility for exercising the voting rights of the shares held by the Scheme sits with the investment managers. The Scheme's voting behaviour over the Scheme year is summarised below.

Over the year, the Scheme was invested in three mandates – the LGIM All World Equity Index Fund (GBP Currency Hedged), the LGIM Buy and Maintain Credit Fund and the Partners Group Generation Fund – where underlying assets carried voting rights.

Voting by LGIM

The LGIM All World Equity Index Fund – GBP Currency Hedged (c. £5.1m of Scheme assets as at 28 February 2023) was the main pooled fund investment held by the Scheme that carried voting rights over the period from 1 March 2022 to 28 February 2023. The LGIM Buy and Maintain Credit Fund was eligible to vote at two meetings over the year to 31 March 2023 and therefore the voting statistics for this fund are also shown below.

The table below shows LGIM's voting summary covering the Scheme's investment in the LGIM All World Equity Index Fund – GBP Currency Hedged Fund as well as the LGIM Buy and Maintain Credit Fund over the year to 31 March 2023. LGIM is only able to provide voting statistics for 12-month periods to standard quarter-ends, rather than the actual periods invested. Therefore, we have included voting information covering the most relevant 12-month period from 1 April 2022 to 31 March 2023. The Scheme was invested in the LGIM All

World Equity Index Fund – GBP Currency Hedged and the LGIM Buy and Maintain Credit Fund for the entire period for which voting data is provided.

LGIM All World Equity Index Fund – GBP Currency Hedged	1 April 2022 – 31 March 2023
Number of meetings LGIM was eligible to vote at over the year	6,728
Number of resolutions LGIM was eligible to vote on over the year	68,320
Of the eligible resolutions, percentage that LGIM voted on	99.9%
Of the resolutions voted, percentage that LGIM voted with management	79.1%
Of the resolutions voted, percentage that LGIM voted against management	19.7%
Of the resolutions voted, percentage where LGIM abstained	1.2%
Percentage of eligible meetings where LGIM voted at least once against management	63.4%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	10.4%

Note: Totals may not sum due to rounding.

LGIM Buy and Maintain Credit Fund	1 April 2022 – 31 March 2023
Number of meetings LGIM was eligible to vote at over the year	2
Number of resolutions LGIM was eligible to vote on over the year	3
Of the eligible resolutions, percentage that LGIM voted on	100.0%
Of the resolutions voted, percentage that LGIM voted with management	100.0%
Of the resolutions voted, percentage that LGIM voted against management	0.0%
Of the resolutions voted, percentage where LGIM abstained	0.0%
Percentage of eligible meetings where LGIM voted at least once against management	0.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	0.0%

Note: Totals may not sum due to rounding.

Voting by Partners

The Scheme invested in the Partners Group Generations Fund over the year to 28 February 2023 (c. £3.0m of Scheme assets as at 28 February 2023). Given the fund's exposure to private markets and the long-term nature of the engagement projects, voting statistics are only currently provided for 12-month periods, twice a year. We have therefore included voting information covering the 12-month period from 1 January 2022 to 31 December 2022.

Partners Group Generation Fund	1 January 2022 – 31 December 2022
Number of meetings Partners Group was eligible to vote at over the year	69
Number of resolutions Partners Group was eligible to vote on over the year	959
Of the eligible resolutions, percentage that Partners Group voted on	100%
Of the resolutions voted, percentage that Partners Group voted with management	95.4%
Of the resolutions voted, percentage that Partners Group voted against management	2.3%
Of the resolutions voted, percentage where Partners Group abstained	2.3%
Percentage of eligible meetings where Partners Group voted at least once against management	20%
Percentage of voted resolutions where Partners Group voted contrary to the recommendation of their proxy adviser	1%

Note: Totals may not sum due to rounding.

Proxy voting

The Trustees did not employ a proxy-voting service during the Scheme year to 28 February 2023.

LGIM votes by proxy as given the scale of its holdings, the manager cannot be present at all shareholder meetings to cast votes. LGIM votes by proxy through the Institutional Shareholder Services' (ISS) electronic voting platform. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service (IVIS). To ensure LGIM's proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

The Partners Group uses Glass Lewis & Co as proxy-voting advisors to process voting execution. The Partners Group receives recommendations on how to vote but has a customised voting policy in place that Glass Lewis & Co apply on their behalf and where that is not relevant, the Partners Group reviews and decides on all votes manually.

Glass Lewis & Co have been instructed to vote in-line with The Partners Group's internal Proxy Voting Directive.

How voting and engagement policies have been followed

The Trustees intend to review a summary of the voting and engagement activity taken on their behalf on a regular basis. The information published by LGIM and Partners Group on their voting policies has provided the Trustees with comfort that the Scheme's voting and engagement policies have been followed during the Scheme year to 28 February 2023.

As set out in the SIP, the Trustees expect the investment managers to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustees' investments.

Details of specific voting and engagement topics covered by LGIM are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of Trustees?	Comments
Performance of debt or equity issuer	✓	LGIM and Partners Group's voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy	✓	The Trustees believe that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustees also believe 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. LGIM and Partners Group have clear voting policies covering each of these topics and have acted on them throughout the Scheme year on behalf of the Trustees.
Risks	✓	<p>LGIM and Partners Group have clear voting policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>LGIM believes that increased transparency and disclosure can allow for financially material risks to be identified. LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting.</p> <p>To ensure that employees at Partners Group are acting within the regulatory and legal environment that is associated with their investments, Partners Group has clear policies on business ethics, whistleblowing, anti-bribery, anti-money laundering and prevention of market abuse which all employees comply with. In scenarios where risks and concerns are raised, Partners Group also has processes in place to ensure that that these can be resolved in an appropriate manner.</p>
Social and environmental impact	✓	<p>LGIM has stated that it will vote against the chair of the board if it believes insufficient action is being taken on the issue of climate change.</p> <p>LGIM has engaged with companies that have poor climate scores relative to their size and for those that don't meet minimum standards and if these minimum standards are not met over time, LGIM may look to divest until progress is shown.</p> <p>As a direct lead investor, Partners Group is able to exert its control at a board level to integrate a range of ESG policies and initiatives.</p>
Corporate governance	✓	<p>LGIM's policy from 2020 is to vote against all elections which combine the roles of CEO and Chair. LGIM has reinforced their position on leadership structures across our stewardship activities such as via individual corporate engagements and director conferences.</p> <p>To ensure that each board is operating at an appropriate level, Partners Group use a 'board maturity' assessment to evaluate effectiveness covering areas such as performance and company strategy. Additionally, Partners Group aim to appoint a board member or executive at the leadership level to become responsible for developing a meaningful ESG journey plan within 100 days of investment.</p>

Conflicts of interest	✓	<p>Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period under review, LGIM voted against incentive awards which did not have performance conditions, as these awards would not align remuneration with company performance.</p> <p>Partners Group has policies relating to conflicts of interest, namely within their whistleblowing and prevention of market abuse policies that apply to all employees, which extend to the underlying investments of the Generations Fund.</p>
Capital structure	✓	<p>LGIM and Partners Group have policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance.</p> <p>For example, LGIM and Partners Group have policies that newly issued shares should not expose minority shareholders to excessive dilution.</p>

Significant votes

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Votes linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's five-year ESG priority engagement themes.

LGIM has provided examples of what it believes to be the most significant votes cast on the Trustees' behalf during the period for the LGIM All World Equity Index Fund – GBP Currency Hedged.

Many of the most significant votes cast by LGIM related to the election of directors. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair noting the belief that the two roles are substantially different and require distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM has adopted the view of voting against all combined board chair/CEO roles.

A number of significant votes related to the issue of gender diversity at board level. LGIM views gender diversity as a financially material issue with implications for the return on assets. LGIM seeks to engage with companies on this issue and applies voting sanctions to those FTSE 350 companies that do not have a minimum of 30% women on the board.

In relation to climate change, during the period, LGIM voted for the setting of greenhouse gas emissions reduction targets by Exxon Mobil Corporation. LGIM expects companies to introduce credible transition plans, consistent with the Paris Agreement goals of limiting the global average temperature increase to 1.5 C.

LGIM has advised that there were no significant votes made for the LGIM Buy and Maintain Credit Fund over the period.

Several of the significant votes cast by Partners Group involved environmental topics such as climate change. These include Techem's production, in July 2022, of its second Corporate Sustainability Report, covering the entirety of the Techem Group. The report highlights key ESG achievements, with a clear focus on achieving climate neutrality by 2045 and the company's Diversity & Inclusion roadmap. Over the period, Fermeca also implemented an environmental and social management system, which will allow for full compliance with the Equator Principles and Performance Standards of IFC.

Engagement with investee companies

Exercising equity voting rights is not the only method of influencing behaviours of investee companies and is not generally applicable for the Scheme's fixed income investments held within the LGIM Buy and Maintain Credit Fund (c. £6.7m of Scheme assets as at 28 February 2023) and the Scheme's LDI allocation (c. £3.8m). However, the Trustees expect the investment managers to engage on its behalf to aim to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

LGIM actively engages with investee companies in writing, via conference call and at face-to-face meetings with management. It is also noted that there is substantial overlap between the companies in which LGIM holds debt and equity, and so, while the corporate bonds mandate does not hold voting rights, LGIM's position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM has on each company's practices.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account client feedback.

Over the 12 months to 31 March 2023, LGIM undertook 1088 engagements with 950 companies. Some engagements cover multiple topics and LGIM has provided the following summary:

- 570 on environmental topics;
- 327 on social topics;
- 433 on governance issues; and
- 123 on other topics including finance and strategy.

The top five engagement topics were climate change, remuneration, board composition, strategy and climate impact pledges.

At a fund specific level, LGIM provided the following summary of engagements undertaken for the LGIM All World Equity Index Fund – GBP Currency Hedged and the LGIM Buy and Maintain Credit Fund, in the year to 31 March 2023.

	Total engagements	No. unique companies engaged	Environmental topics	Social topics	Governance topics	Other topics
All World Equity Index Fund (GBP Currency Hedged)	668	442	360	205	249	95
Buy and Maintain Credit Fund	161	86	76	59	76	26

Note: individual engagements may cover multiple topics.

As at 28 February 2023, the Scheme also had an allocation, through LGIM, of c. £3.8m to leveraged nominal and index-linked government bonds. This allocation is intended to reduce risk by hedging the exposure to interest rate and inflation inherent in the Scheme's liabilities. LGIM has governance practices in place to capture key regulatory developments which might influence the future management and performance of these hedging assets.

Extent to which the Trustees' policies have been followed during the year

Having reviewed the actions taken by the investment managers over the Scheme year, the Trustees believe that the policies on stewardship and engagement have been implemented appropriately over the year and in line with their views. The Trustees will continue to monitor the actions taken on their behalf each year. As voting and engagement information is still improving, the Scheme's next Implementation Statement is anticipated to be more specific to the Scheme's actual investments.

Overall, if the investment managers deviate substantially from the Trustees' stated policies, the Trustees will initially engage and discuss this with each investment manager, and if the Trustees still believe the difference between their policies and the investment manager's actions are material, the Trustees will consider terminating and replacing the mandate if necessary.