

Implementation Statement

Community Staff Pension Fund

For year ending 31 March 2021

Introduction

This statement has been prepared by the Trustees of the Community Staff Pension Fund (the “Trustees” and the “Fund” respectively) with input from its Investment Consultants. The statement demonstrates how the Trustees have acted on certain policies within their Statement of Investment Principles (“SIP”).

Each year the Trustees must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Fund year. This Implementation Statement covers the year from 1 April 2020 to 31 March 2021.

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 Fund. Note that this excludes any Additional Voluntary Contribution investments held by the Fund.

Trustees of DB 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 a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

SIP Policies

This Implementation Statement should be read in conjunction with the Fund’s SIPs covering the year under review which gives details of the Fund’s investment policies along with details of the Fund’s governance structure and objectives.

The Fund’s SIP was updated during the Fund year to include policies such as:

- “The Trustees’ policy is to invest in pooled investment vehicles. It is the Investment Manager that is responsible for the exercise of rights (including voting rights) attaching to these investments.”
- “The Trustees’ policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Fund’s interests in the investments, having regard to appropriate advice.”
- “The Trustees expect the Investment Manager to engage with investee companies (and other relevant persons including, but not limited to, investment managers, 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 Trustees recognise the importance of ESG factors on long term investment performance and both immediate and future downside risks. The Trustees have set an appropriate monitoring framework to ensure the Fund’s Investment Manager is regularly reviewed. The monitoring framework is intended to promote greater transparency and improved understanding of the reasons behind performance trends and key risk exposures.”

Whilst the policies were not in place for the full Scheme year, this Implementation Statement reviews the voting and engagement activities as well as the extent to which the Trustees believe the new policies have been followed over the 12-month period to the year end 31 March 2021.

In the SIP revised during the Fund year, the Trustees stated the following policies on the exercise of voting rights and engagement activities related to its investments:

- “The Trustees recognise the importance of regular monitoring of the Investment Manager’s performance, remuneration and compliance against ESG policy to ensure that the Fund’s assets are being managed appropriately. Regular monitoring and communication with the Investment Manager, with specific reference to ESG factors, will incentivise the Fund’s Investment Manager to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.”
- “In addition to performance measures, the Trustees will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees will also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to their views on ESG.”
- “If the Trustees believe that the Fund’s Investment Manager is no longer acting in accordance with the Trustees’ policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustees will take the following steps:
 - engage with the Investment Manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and
 - if necessary, look to appoint a replacement Investment Manager or managers which are more closely aligned with the Trustee’s policies and views”

Description of voting behaviour

Over the year to 31 March 2021, the Fund was invested in one mandate where the underlying assets included publically listed equities. This is the sterling hedged shareclass of the All World Equity Index Fund managed by LGIM.

The Trustees review and monitor the voting and engagement activity taken by the investment manager (LGIM) on their behalf. Information published by LGIM provides the Trustees with comfort that their voting and engagement policies have been followed during the year. The following table shows LGIM’s voting summary covering the Fund’s investment in the All World Equity Index Fund:

LGIM All World Equity Index Fund – GBP Hedged	1 April 2020 – 31 March 2021
No. of meetings eligible to vote at	6,779
No. of resolutions eligible to vote on	70,672
Eligible resolutions voted on	99.9%
Of resolutions voted on, resolutions voted with management	83.3%
Of resolutions voted on, resolutions voted against management	16.0%
Of resolutions voted on, resolutions abstained from voting	0.8%

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;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

An analysis of the significant votes made by LGIM for the All World Equity Index Fund predominantly included voting against approving management remuneration reports and long-term incentive plans as well as approving climate change resolutions.

How 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 going forwards. The information published by the Investment Manager on their voting policies has provided the Trustees with comfort that their voting and engagement policies have been followed during the Fund year.

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies. Non-equity investments such as the Fund's corporate bond holdings can also include engagement activities but these investments do not carry voting rights.

The Trustees expect the investment manager 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.

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.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop voting and engagement policies and define strategic priorities.

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

Having reviewed the actions taken by LGIM, the Trustees believe that their policies on engagement and voting rights (where applicable) have been implemented appropriately and in line with the Investment Manager's policies over the year. The Trustees will continue to monitor the actions taken on their behalf each year whilst pressing for improved information from LGIM, particularly with respect to ESG factors.

If the Investment Manager deviates substantially from the Trustees' stated policies, the Trustees will initially engage with LGIM in an attempt to influence its policies on ESG and stewardship. If it is concluded that the difference between the policies and LGIM's actions are material, the Trustees will consider terminating the mandate and appointing a replacement manager more closely aligned with the Trustees' policies and views.



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