



Corps of Commissionaires Retirement Benefit Scheme

September 2021

Background and Implementation Statement

Background

The Department for Work and Pensions ("DWP") is strengthening regulation around disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance ("ESG") factors as financially material and pension schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require schemes to detail their policies in their statement of investment principles ("SIP") and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles

The Corps of Commissioners Retirement Benefit Scheme ("the Scheme") updated its SIP in response to the DWP regulation to cover :

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Scheme has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 5 April 2021 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Implementation Statement

This report demonstrates that the Corps of Commissioners Retirement Benefit Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed P.Stringfellow

Position Chair of the Trustees of the Corps of Commissioners Retirement Benefit Scheme

Date 24 September 2021

Managing risks and policy actions

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy and these are summarised in the table below:

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and liabilities due to changes in long term interest rates and inflation.	To invest a proportion of Scheme assets in interest rate and inflation sensitive asset classes, which hedge some of these risks.	<p>The Trustees completed a strategy review in September 2020.</p> <p>This focussed on increasing the Scheme's interest rate and inflation hedge using Liability Driven Investment funds.</p>
Credit	Default on payments due as part of a financial security contract.	To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	<p>As part of the Strategy review the Trustee considered investment into a Multi-Asset Credit mandate but in the end decided against this.</p> <p>The Scheme's main credit exposure remains its Active Corporate Bond and Diversified Growth investments.</p>
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who will manage these risks on behalf of the Scheme.	
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.	The Trustees considered only assets that were held in a GBP denominated share class as part of the strategy review.

Changes to the SIP

There were no changes to the Scheme's Statement of Investment Principles over the period. Following the reporting year, the Trustees updated the Scheme's Statement of Investment Principles for the strategy changes that have now been implemented. This included an update to the Scheme's policies in relation to manager monitoring and engagement, as well as investment management arrangements.

Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment managers.

	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	<ul style="list-style-type: none">The Trustees receive an annual funding update which details the Scheme's progress relative to its technical provisions funding target.	<ul style="list-style-type: none">The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations.Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none">The Trustees' investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.	<ul style="list-style-type: none">The manager has not acted in accordance with their policies and frameworks.The manager's policies are not in line with the Trustees' policies in this area.

Investment Management Arrangements

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

Policies added to the SIP

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees' policies.

As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees' policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.

How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.

The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.

How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees' policies.

The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.

The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.

The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.

The duration of the Scheme's arrangements with the investment managers

The duration of the arrangements is considered in the context of the type of fund the Scheme invests in:

- For open-ended funds, the holding periods are flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk and this was covered above under the "managing risks and policy actions" section.

Engagement

As the Scheme invests via pooled fund arrangements, Isio requested details from Legal and General on their engagement actions for the 12 month period to the 5 April 2021.

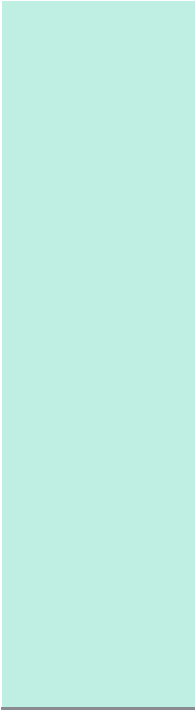
LGIM currently do not provide details of their engagement activities at a Fund level, however, this is something they are working on, and Isio remains in contact with LGIM surrounding the firm's engagement reporting.

Engagement with companies is done at a firm wide level rather than on a fund basis. This is spearheaded by the central Investment Stewardship Team and engagements are coordinated with the Active Equity and Active Fixed Income teams to ensure engagements are in the best interests of all investors.

Voting (for equity/multi asset funds only)

As the Scheme invests via pooled funds, Legal and General were asked to provide details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2021. Legal and General also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes
Dynamic Diversified Fund	<p>Votable Proposals : 83,262 Proposals Voted : 83,179 For votes : 70,015 Against votes : 12,689 Abstain votes : 566</p>	<p><u>Whitehaven Coal</u> Shareholders were asking for a report on how the business plans to wind-down its coal operations, with the potential to return increasing amounts of capital to shareholders.</p> <p>This vote attracted media scrutiny and is typical of the growing wave of shareholder activism.</p> <p>Legal and General voted for this proposal and is in line with their public support for a managed decline in fossil fuel companies.</p> <p>The proposal did not pass due to a relatively small number of shareholders voting in favour. However, the environmental profile of the company remains in the spotlight.</p> <p><u>The Procter & Gamble Company ("P&G")</u> P&G uses both forest pulp and palm oil as raw materials within its household goods products.</p> <p>The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one</p>



third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation, which calls into question P&G's due diligence and supplier audits.

Legal and General engaged with P&G to hear its response to the concerns raised and voted in favour of asking P&G to improve their reporting on their progress in eliminating deforestation in their product lines.
