

Citrus Pension Plan - Implementation Statement

Statement of Compliance with the Citrus Pension Plan's Stewardship Policy for the year ended 31 March 2024

Introduction

This is the Trustee's Implementation Statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Plan's Stewardship Policy during the period from 1 April 2023 to 31 March 2024 (the "2023/24 Plan Year").

Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Plan's assets which includes the Trustee's approach to;

- o the exercise of voting rights attached to assets; and
- o undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

The Plan's Stewardship Policy is reviewed in line with the Plan's Statement of Investment Principles (SIP) review which was last completed in July 2024. You can review the Stewardship Policy which can be found within the Scheme's SIP, on the [members website](#).

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Plan's investment managers. The Trustee believes it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on their dialogue with their investment managers, which is undertaken in conjunction with their investment advisers. The Trustee considers manager exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustee also monitors their compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Plan's Stewardship Policy over the last year.

Voting activity

The Trustee seeks to ensure that their managers are exercising voting rights and where appropriate, to monitor managers' voting patterns.

The Plan obtains exposure to equity markets through its holdings in the Legal & General Investment Management (LGIM) synthetic equity mandate. The mandate, which is fully currency hedged, invests in derivatives to provide leveraged exposure to global equity markets. Given the mandate's use of derivatives to obtain equity exposure, there are no direct voting rights associated with these holdings and thus we have not assessed the direct voting activity for this fund.

The Plan is also invested in other asset classes such as fixed income, infrastructure, insurance linked securities and cash. However, these holdings do not generally confer voting rights, unlike equity holdings.

Engagement Activity

Summary of manager engagement activity

The Trustee receives annual reporting on engagement activity carried out by the Plan's managers with respect to the Plan's underlying investments. The following table summarises the key engagement activity for the 12-month period ended 31 March 2024.

Fund Manager	Number of entities engaged with	Topics engaged on
Insight – ABS funds	65	Climate change, corporate reporting and risk management
LGIM ¹	2050	Climate change, remuneration, diversity, deforestation, human capital management, board composition & effectiveness, natural resource
M&G - Alpha Opportunities	10	Climate change, targets and net zero, board composition & effectiveness, humans and labour rights, executive remuneration
Alcentra - EDL ²	64	Climate change, pollution, waste, Human capital management, risk management
JP Morgan - IIF	19	Climate change, biodiversity, pollution, corporate transparency, humans and labour rights, risk management
SCOR – Insurance linked securities (ILS) ³	39	Climate change, Human capital management, corporate transparency, corporate reporting and risk management

¹Total number of manager engagements for LGIM has been provided on a manager level, rather than specifically relating to the funds invested in by the Plan.

²Total number of entities engaged with on a direct lending strategy level.

³Total number of cedants engaged with on a ILS strategy level

The table below summarises a few case studies on the managers' engagement activity.

Fund Manager	Company	Topics engaged on
Insight - ABS	Pepper	<p>Key theme: Climate change and corporate transparency</p> <p>Insight have engaged with Pepper, a large Australian loan originator, on how to incorporate ESG in their loan origination process. The manager met with the deputy head of treasury at Pepper initially to discuss the integration of ESG; and subsequent engagements focused on new product range and EPC data analysis.</p> <p>Outcome and going forward: Prior to engagement, Pepper had no disclosures on ESG at the corporate or issuer level, however Pepper have since agreed that disclosures need to improve and that they will look to build a number of ESG metrics into their annual reports. The company is now showing borrowers the potential EPC improvements they can make to their properties and linking it to new business.</p>
LGIM	DNB Bank ASA	<p>Key theme: Governance</p> <p>LGIM actively engaged with DNB Bank's Treasury department through several in person meeting, before investing in legacy perpetual bonds. LGIM believed that the DNB should call these bonds as they did not meet regulators' requirements and had not adopted a new non-LIBOR reference for the coupons.</p> <p>Engagement and discussions went on for a couple of years. Although DNB is a highly rated from a credit perspective, LGIM did not feel comfortable investing in new issues with call features given the issues described above.</p> <p>Outcome and going forward: Eventually, DNB accepted the concerns and announced they were calling the bonds at par in line with LGIM's perspective. Although challenges in the communication and approach here were not favourable for the DNB's reputation but, following this decision, LGIM are able to consider new issues of DNB going forward.</p>
	BP	<p>Key theme: Climate change.</p> <p>Summary: LGIM directly engaged with BP several times during 2023 through meetings and correspondence, following concerns on the company's announcement to amend their oil production targets and</p>

Fund Manager	Company	Topics engaged on
		<p>associated emissions, shortly after the shareholder approval of the company's climate transition plan at the 2022 AGM. Further direct engagement with BP has involved setting targets, such as halving operational emissions by 2030, setting Scope 3 emissions targets across upstream and downstream segments, and targeting net-zero emissions by 2050.</p> <p>Outcome and going forward: LGIM have upgraded their ESG score for BP between 30 September 2021 to 31 March 2023 in recognition of the company's efforts, and continue to engage with the company both collaboratively and directly.</p>
	Exxon Mobil	<p>Key theme: Corporate transparency and Climate change</p> <p>As one of the world's largest public oil and gas companies, LGIM believe that Exxon Mobil's climate policies, actions, disclosures and net zero transition plans have the potential for significant influence across the industry as a whole, and particularly in the US.</p> <p>LGIM continue to engage with the company regarding areas for concern, namely: lack of Scope 3 emissions disclosures (embedded in sold products); lack of integration or a comprehensive net zero commitment; lack of ambition in operational reductions targets and; lack of disclosure of climate lobbying activities.</p> <p>Outcome and going forward: Since 2021, Exxon Mobil have shown notable improvements regarding the key engagement requests, including disclosure of Scope 3 emissions, a 'net zero by 2050' commitment (for Scopes 1 and 2 emissions), the setting of interim operational emissions reduction targets, improved disclosure of lobbying activities and more recently, the commitment made by the company to join the leading global partnership on methane.</p> <p>LGIM will continue their direct engagements with the company to better understand challenges Exxon face in their approach to the energy transition. LGIM will also be engaging with proxy advisors and fellow investors to better understand their voting rationale.</p>

Fund Manager	Company	Topics engaged on
M&G - Alpha Opportunities	Yara	<p>Over the scheme year, M&G Alpha Opportunities team focused engagement on environment, social and governance issues.</p> <p>Key theme: Governance</p> <p>M&G requested Yara, chemical company, to disclose more granularity regarding their decarbonisation levers beyond the 2030 roadmap, including metrics to measure progress towards their targets. In addition, M&G requested that Yara publishes a verified scope 3 target through SBTi.</p> <p>Outcome and going forward: Through engagement, Yara has confirmed that they will explore ways to report more on their milestones, metrics, and abatement levers, although some information may be sensitive due to their position as a large player in renewable energy. In terms of Capex, the company has identified this as an area for improvement for their next round of disclosures, as they are unsure of the readiness of the data at present. Yara is planning to produce a transition plan at the end of 2024, and suggestions will be provided throughout this process.</p> <p>M&G will continue to engage with Yara as they produce their transition plan.</p>
JP Morgan - IIF	El Paso Electric (EPE)	<p>Key theme: Climate change</p> <p>JPM IIF worked together with EPE’s management to reduce the business’s carbon intensity over time, set carbon reduction goals and collaborate with stakeholders and regulators to provide essential services to customers, which is essential to EPE’s business.</p> <p>Outcome and going forward:</p> <p>Following engagement, carbon reduction goals have been set and published:</p> <p>80% carbon-free energy by 2035</p> <p>100% pursuit of decarbonization of generation portfolio by 2045</p>

Fund Manager	Company	Topics engaged on
		<p>Furthermore, EPE worked directly with its regulators on approval for energy transition and climate adaption projects. In 2023, EPE received regulatory approval to expand its Texas Community Solar Program with an additional 10 MW solar facility. This project will be the second expansion of its community solar program since its initial launch, giving even more customers the option of receiving their energy from a local, renewable energy resource without having to install their own distributed generation system.</p> <p>JPM IIF will continue to monitor EPE's progress in meeting its 2035 goal through 1) the continued deployment of renewable energy resources, 2) storage solutions, 3) the use of new fuels and technologies and 4) increased efficiency. 5) EPE plans to continuously evaluate alternative energy technologies, fuels, and efficiency strategies as those solutions develop over the next decade.</p>
Alcentra - EDL	-	<p>Key theme: Corporate transparency.</p> <p>Summary: As part of Alcentra's ESG integration efforts, they have included ESG margin ratchets into loan documentation. Within the framework of a margin ratchet agreement with a portfolio company that provides digital advertising consultancy services, the borrower agreed to set a KPI tied to achieving an employee satisfaction score of 8 or above (on a scale of 1-10). The portfolio company reported a high employee satisfaction score of 8.3 in their most recent compliance certificate.</p> <p>Outcome: The company has since communicated that regretted churn over the 2023 financial year was at c.15%, which is low compared to historical averages, suggesting efforts to improve employee satisfaction are having positive impacts on employee retention, and consequently on the stability of client-facing teams. Given the importance of talent at such a company, Alcentra view this ESG integration effort directly leading to improved investment performance.</p>
SCOR ILS*	-	<p>Key theme: Transparency</p> <p>SCOR focused engagement with cedants over the year to increase transparency on the exposure covered. SCOR engaged with the top 5 US insurance company in order to receive more information on</p>

Fund Manager	Company	Topics engaged on
		<p>company's ESG policy, both at company level and more specifically related to its (re)insurance business covered by its catbonds.</p> <p>Outcome and going forward: More ESG disclosure appeared on the most recent transaction sponsored by this insurance company, but in the ILS team's view, this is still not enough when compared to best-in-class standards. SCOR will continue their direct engagement with the Head of Reinsurance and CFO during another one-on-one catbond roadshow meeting with the cedants.</p> <p>SCOR will also make it clear to the cedant that a lack of improvement is likely to reduce their interest for the next catbond transactions.</p>

*Insurance-linked securities asset managers do not have any involvement at all in the underlying properties, therefore there is limited opportunity to engage.

Overall, the Trustee and its advisors remain satisfied that the Engagement policies of the managers remain suitable for the Plan.

Review of policies

The Trustee is committed to reviewing the investment managers' Engagement policies on an annual basis as part of the Plan's Stewardship Policy review. Over the year, the Trustee was committed to develop its approach to addressing Responsible Investment ("RI") issues and understanding their impact for the Plan.

In 2023, the Trustee published a Responsible Investment policy for the Plan, including relevant investment beliefs and policies. The RI policy considers the managers' broader approach to Responsible Investment issues in addition to expanding the Plan's approach to Stewardship and Engagement.

You can find the Plan's Responsible Investment policy [here](#).