

Citrus Pension Plan - Implementation Statement

Statement of Compliance with the Citrus Pension Plan's Stewardship Policy for the year ending 31 March 2021

Introduction

This is the Trustee's 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 Scheme's Stewardship Policy during the period from 1 April 2020 to 31 March 2021 (the "2020/21 Scheme Year").

Stewardship policy

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

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

The Plan's Stewardship Policy is reviewed on an annual basis in line with the Plan's Statement of Investment Principles (SIP) review which was last completed on 18/06/2020.

You can review the Plan's Stewardship Policy which can be found within the Plan's Statement of Investment Principles, at <https://www.citruspensions.co.uk/media/1179/200618-statement-of-investment-principles-sip.pdf>

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 that 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 how managers exercise their stewardship responsibilities during meetings and through reporting provided by their investment adviser.

The Trustee also monitors their compliance with their Stewardship Policy regularly 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 direct exposure to equity markets through its holdings in the 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 currently invests in two diversified growth funds which have underlying investments in equity assets. These underlying equity assets hold voting rights. The Trustee's investment managers have reported on how votes were cast in each of these two mandates as set out in the table on the following page.

Strategy/Fund name	BlackRock DDGF	Invesco- GTR Fund
Proportion of Scheme assets	8.3%	7.2%
No. of meetings eligible to vote at during the year	977	365
No. of resolutions eligible to vote on during the year	12,398	5,332
% of resolutions voted	96.6%	98.4%
% of resolutions voted with management	93.3%	94.5%
% of resolutions voted against management	5.9%	5.6%
% of resolutions abstained	0.9%	0.5%
% of meetings with at least one vote against management	N/a	33.1%

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.

Significant votes

The Trustee has asked their managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. Managers were asked to explain the reasons why votes identified were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. From the managers' reports, the Trustee has identified the following votes as being of greater relevance to the Scheme:

BlackRock Dynamic Diversified Growth Fund - Barclays PLC

Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change, 7 May 2020.

Resolution 30 - Approve ShareAction Requisitioned Resolution, Barclays Bank, 7 May 2020.

BlackRock voted **FOR** resolution 29, proposed by Barclays and **AGAINST** resolution 30, proposed by ShareAction.

From the beginning of 2020, there was significant client interest in voting intentions and engagement activities in relation to the 2020 Barclays AGM. The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction, an advocate for Responsible Investment. This was considered significant in that the outcome of the resolution was significantly positive for all parties involved: Barclays, ShareAction and long-term asset owners.

BlackRock considers this to be the beginning of a positive step for Barclays in tackling climate change. BlackRock's future focus will be to help Barclays with the detail of its plans and targets. BlackRock plans to continue to work closely with the Barclays board and management team in the development of their climate plans and will continue to liaise with ShareAction and other large investors, to ensure consistency of messaging and to continue to drive positive change.

BlackRock Dynamic Diversified Growth Fund - The Procter & Gamble Company

Item 5: Report on Efforts to Eliminate Deforestation

Item 6: Annual Report on Diversity

BlackRock voted **FOR** the shareholder proposal on deforestation (Item 5) and voted **AGAINST** the shareholder proposal requesting the publication of a report assessing the company's diversity and inclusion efforts (Items 6).

BlackRock recognises the company's efforts to date towards enhancing their sustainability and monitoring disclosure reports, BlackRock is determined that there is room for P&G to improve the frequency and depth of disclosure.

P&G has led constructive dialogue promoting racial equity and understanding, largely by releasing several films publicly since 2017 about racial bias and racial inequality. Over 2020, BlackRock assessed multi-pronged initiatives, along with robust disclosures, this placed P&G at the forefront of DEI efforts in the market. As a result, BlackRock is determined that the requested report would be redundant and therefore did not support it.

Invesco Global Targeted Return Fund - Citigroup Inc

Resolution - Report on Lobbying Payments and Policy

Invesco voted **AGAINST** this resolution as the company is disclosing adequate information for shareholders to be able to assess its engagement in the political process and its management of related risks. Invesco has assessed this most significant vote as there was greater than 1% IVZ Ownership and includes the Key ESG proposal.

Invesco Global Targeted Return Fund - easyJet Plc

Resolution - Remove Johan Lundgren as Director

Invesco voted **AGAINST** this resolution as the dissident has not provided enough evidence that removing four key directors will leave the board and the company better positioned to deal with the current crisis. This was deemed a significant vote as greater than 1% IVZ Ownership and includes Key ESG proposal.

Resolution - Approve Capital Raising

Invesco voted **FOR** this resolution, to approve capital raising. This is because capital raise will strengthen the Company's balance sheet as part of the Company's response to the impact of COVID-19, helping the Company in its recovery and long-term growth.

Engagement activity

The Trustee holds meetings with their investment managers regularly where stewardship issues are discussed in further detail. Over the last 12 months, the Trustee has met with two of their eight managers. The Trustee has discussed the following issues over the course of the year.

Date	Fund manager	Subject discussed	Outcome
June 2020	LGIM	As part of the search for synthetic credit mandate. ESG integration was one of the items discussed.	LGIM presented their approach to integrating ESG within their investment strategies.
November 2020	Invesco	Investment philosophy and fund recap of the Plan's investment in	Invesco discussed how ESG is integrated within its three-step investment process.

		the Invesco Global Targeted Returns fund. Invesco's integration of ESG considerations was also discussed during the meeting.	<ol style="list-style-type: none"> 1) Research – ESG considerations 2) Fund management – Incorporating ESG scenario testing 3) Implementation – Leveraging Invesco's ESG research providers, tools & technology.
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Summary of manager engagement activity

The Trustee receives annual reporting on engagement activity carried out by the Scheme's managers with respect to the Plan's underlying investments. The following table summarises the key engagement activity for the 12-month period ending 31 March 2021.

Fund Manager	Number of engagements	Topics engaged on
Insight - ABS funds	62	Governance, controls, environment, social and impact
LGIM	974 ¹	Climate change, remuneration, diversity, board composition, strategy
M&G - Alpha Opportunities	8	Collective engagement, covenant waiver, modern slavery, emissions targets and cyber security
Invesco - GTR	17	Climate transition, carbon emissions, health and safety, corporate governance, executive compensation, climate change and labour issues
Alcentra - EDL	36	ESG risks, policies in place, priorities and initiatives
JP Morgan - IIF	17	Governance and Culture, inclusive workplace, external stakeholders, employee demographics
BlackRock	502 ¹	Climate risk management, environmental impact management, operational sustainability, human capital management, board composition and effectiveness

¹ Total number of manager engagements has been provided on a manager level, rather than that specifically relating to the funds which the Scheme invests in.

Note that the above table excludes Coriolis ILS due to the nature of the asset class. Insurance-linked securities asset managers do not have any involvement at all in the underlying properties, therefore there is limited opportunity to engage. The table below summarises a few case studies on managers' engagement activity.

Fund Manager	Company	Topics engaged on
Insight	US CLO	Insight noted there were two areas of poor government records: Abuses to documentation and poor management of conflict of interest. Several deals historically were seen to be manipulating the par coverage test to prevent cash from being diverted to the senior note holders, due to weak documentation. Engagement with the issuer resulted in the loophole being closed in all future issues.
LGIM	Amazon	LGIM engaged Amazon on ESG enhancing disclosures particularly on transparency on data commitments within its 'Climate Pledge'. Amazon

		outlined efforts to adapt its working environment, introducing safety protocols and increasing pay.
M&G - Alpha Opportunities	AB InvBev	M&G urged AB InvBev to set medium-term scope 1-3 emissions reductions targets, post-2025, as well as a net-zero target for 2050 or sooner. AB InvBev are aware of its challenges and working on solutions, including increased use of returnable glass bottles and recycling plastic on the packaging side.
Invesco - GTR	Volkswagen	Invesco met with the Volkswagen investors relation team with a dedicated corporate governance discussion to help improve their governance score. Volkswagen has identified a series of smaller governance reforms that they believe are feasible, and they will push to get these changes actioned within the next year.
JP Morgan - IIF	Ventient Energy	JP Morgan engaged with Ventient Energy on environmental and climate change awareness issues. Ventient is focused on reducing its environmental impact and offsetting its carbon footprint. JPM's engagement has led to other environmental initiatives including harvesting rainwater- 60% of Ventient's sites in the UK harvest rainwater to supply wind farms, reducing CO2 and saving money.
BlackRock	Equinor ASA	BlackRock has engaged with Equinor over the past several years on a range of governance and material sustainability topics, including climate-related disclosures. As part of BlackRock's engagement and voting process, they reviewed relevant company disclosures ahead of this year's annual general meeting (AGM). On balance, BlackRock believes that the quality of these disclosures is adequate and consistent with their expectation of large carbon emitters with a previous history of engagement with BlackRock on the topic. Equinor announced the new steps on climate change and strong support for the goals of the Paris Agreement.

Use of a proxy adviser

The Trustee investment managers have made use of the services of the following proxy voting advisors over the Scheme year:

Manager	Proxy Advisor used
BlackRock	Glass Lewis and ISS
Invesco	Glass Lewis and ISS