

Citrus Pension Plan - Implementation Statement

Statement of Compliance with the Citrus Pension Plan's Stewardship Policy for the year ending 31 March 2023

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 2022 to 31 March 2023 (the "2022/23 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;

- 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 in line with the Plan's Statement of Investment Principles (SIP) review which was last completed in September 2021.

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/1200/statement-of-investment-principles-sip-2021.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 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 and 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 ending 31 March 2023.

Fund Manager	Number of engagements	Topics engaged on
Insight - ABS funds	55	Climate change, culture and ethics, inclusion and diversity, transparency, shareholders rights, net zero
LGIM	902 ¹	Climate change, remuneration, healthcare, human rights, leadership diversity and ethnic diversity, corporate disclosure and transparency, deforestation
M&G - Alpha Opportunities	11	Climate change, pollution, waste, supply chain management, carbon targets and net zero, remuneration, human and labour rights
Alcentra - EDL	111 ²	Climate change, corporate reporting, diversity and board independence, risk management
JP Morgan - IIF	19	Climate change, biodiversity, pollution, corporate transparency, humans and labour rights
SCOR – Insurance linked securities (ILS)	22 ³	Climate change, diversity and inclusion, corporate transparency, corporate reporting and risk management

¹ Total 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 managers' engagement activity.

Fund Manager	Company	Topics engaged on
Insight - ABS	CVC - Cordatus	<p>Insight identified material concerns including that Governance permitted investment activity within the Collateralised Loan Obligations (CLO) which enabled the CLO manager undue freedom to run inappropriate levels of concentration risk within the structure and ESG restrictions within the CLO were too wide. Initial documentation permitted exposure to any obligor as long as under 50% of their revenues came from problematic sectors such as the production or marketing of opioid manufacturing and distribution, fossil fuel extraction by unconventional sources, fracking or coal mining.</p> <p>Outcome: Through direct engagement, the obligor agreed to amend the terms of the new issue and resolved all of Insight's underlying concerns. Investment restrictions were tightened, leading to a stronger governance control over the permitted investment flexibility of the CLO manager. The CLO manager reduced the revenue limit for problematic from 50% to 5% in line with our requirements.</p>
LGIM	Grupo Bimbo	<p>LGIM's investment and stewardship teams have been engaging with a Mexican multinational Grupo Bimbo, one of the 25 largest food and beverage companies, throughout 2022 to enhance corporate transparency.</p> <p>LGIM put pressure on the company to use an external nutrient profiling model which is independently developed and governed. This would allow investors to more easily compare similar companies product profiles.</p> <p>Outcome: This engagement resulted in Grupo Bimbo reporting the percentage of sales, attributable to healthy products by the Health Star Rating. The company also indicated that they would undertake third part audit of nutrition aspects reported in it's annual report.</p> <p>Going forward: LGIM will continue to push for increased transparency and disclosure in this area, and will work with Grupo Bimbo, as well as its peers, on this important issue.</p>

Fund Manager	Company	Topics engaged on
	Toyota Motor Corporation	<p>LGIM is a member of the Asian Corporate Governance Association (ACGA) Japan Working Group. LGIM engage with Japanese companies such as Toyota Motor Corporation, to improve their corporate governance and sustainability practices.</p> <p>LGIM identified two key issues around their capital allocation decisions (cross-shareholdings and insufficient investments in zero-emissions vehicles and related infrastructure); and board independence, diversity and effectiveness.</p> <p>LGIM originally started engagement with Toyota in September 2021 and held meetings over 2022 to discuss climate change, board composition and capital allocation. LGIM questioned the company's lobbying stance and its alignment with a 1.5°C world.</p> <p>Outcome: This engagement resulted in improved transparency from the company in its climate public policy.</p> <p>Going forward: While improved corporate transparency on climate plans are an important first step, LGIM will continue to monitor and engage with Toyota on this topic.</p>
M&G - Alpha Opportunities	Infineon	<p>Over the scheme year, M&G Alpha Opportunities team focused engagement on environment, social and governance issues.</p> <p>Example: The manager met with Infineon to understanding existing decarbonisation plans and make M&G's expectations known.</p> <p>Outcome: Through engagement, Infineon have made a public commitment to achieve carbon neutrality by 2030, with emissions to be cut by 70% on a 2019 baseline by 2025. Its current strategy includes reducing energy consumption through increasing efficiency, purchasing green electricity with guarantees of origin, and using certified offsets for the small remainder.</p> <p>For scope 3 emissions, manufacturing service providers make up the largest percentage, and the company's procurement team is working with those providers, however it does not currently have a fixed goal on what it aims to achieve here. M&G have encouraged Infineon to include</p>

Fund Manager	Company	Topics engaged on
		<p>a scope 3 target, and have its decarbonisation plans validated through SBTi.</p> <p>The company was receptive, but highlighted that its head of sustainability takes a long-term view and does not want to commit until it has a credible target. It has not yet published how capex will align with its decarbonisation plans, as it first wanted to ensure the credibility of the data.</p> <p>Going forward: While the company's decarbonisation plans seem robust, M&G will continue to push for external validation and further disclosure, and will monitor the execution of its strategy.</p>
JP Morgan - IIF	Sonnedix	<p>Through active engagement, board meetings, strategy days and weekly communication, JPM worked with Sonnedix to monitor human rights issues and meeting the requirements of its Modern Slavery policy to prevent and eradicate forced labour.</p> <p>Outcome: Engagement with Sonnedix, has lead to the company regularly attending training sessions and updating their governance processes. Sonnedix's commitments and zero-tolerance approach is detailed in the Sonnedix Human Rights, Child and Forced Labour Standard. The company expects the same zero-tolerance approach from those who undertake work on its behalf and these expectations are set out in the Sonnedix Responsible Supply Chain Design and Procurement Standard.</p>
Alcentra - EDL	-	<p>Alcentra targets ESG engagement topics that are relevant for the specific business and ambitious but broadly achievable in the medium to long term.</p> <p>Example: Alcentra engaged with a global travel/ leisure company to better understand their long-term climate and environmental strategy, with a focus on the hybridisation of their engines. The company is based out of the Nordics, and there is a strong focus on ESG considerations.</p> <p>Outcome: The company have been transparent and forthright with information requests and changes to fleet optimisation. Alcentra engaged with the management team, who provided assurance that they were focusing their ESG strategy on fleet upgrades through the</p>

Fund Manager	Company	Topics engaged on
		incorporation of hybrid engines and keeping ahead of regulatory tightening.
SCOR ILS*	-	<p>SCOR focused engagement with cedants over the year, in order to increase transparency on the exposure covered. The aim was to better take into account ESG criteria in their investment approach.</p> <p>Outcome: Through engagement cedants have started to provide more detailed information. SCOR has noticed however that information is not yet as detailed enough to efficiently assess the portion of non-ESG compliant insurance activities.</p> <p>Going forward: SCOR will continue to engage with cedants on this matter, including written engagement outside the regularly scheduled meetings.</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 also committed to develop its approach to addressing Responsible Investment ("RI") issues and understanding their impact for the Plan.

The Trustee is in the process of establishing a Responsible Investment policy for the Plan, including relevant investment beliefs and policies. The RI policy will consider the managers' broader approach to Responsible Investment issues in addition to expanding the Plan's approach to Stewardship and Engagement.