

## Implementation Statement

### The Phoenix Dunlop Oil & Marine Pension Scheme

#### Purpose of this statement

This implementation statement has been produced by the Trustee of the Phoenix Dunlop Oil and Marine Pension Scheme ("the Scheme") to set out the following information over the year to 31 December 2024:



how the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year;



the voting activity undertaken by the Scheme's investment manager on behalf of the Trustee over the year, including information regarding the most significant votes;



#### Conclusions

Based on the information received, the Trustee believes that the investment manager has acted in accordance with the Scheme's policies on exercising engagement activities. Overall, the Trustee does not have any material concerns with the ESG and Stewardship activities of the Scheme's holdings.

#### Stewardship policy

The Trustee has decided not to set stewardship priorities for the Scheme at this stage due to the Scheme's relatively short expected investment time horizon. The Scheme solely invests through pooled investment vehicles where the Scheme's assets only represent a small proportion of the capital invested in the funds. The Trustee understands that they are constrained by the policies of the manager. Due to implementing a de-risked investment strategy for the Scheme (shortly before the start of the Scheme year), this has involved fully disinvesting from all the funds with voting rights attached.

Given the Scheme's time horizon to buy-out, the Trustee decided not to set stewardship priorities. However, the Trustee takes the stewardship priorities, climate risk, and ESG factors into account at manager selection alongside other factors. The Trustee also reviews the stewardship and engagement activities of the investment manager annually.

#### Trustee policies on voting and engagement

The Trustee's current Statement of Investment Principles ("SIP") describes the Trustee's policy on the exercise of rights (including voting rights) and engagement activities as follows:

*"The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised*

*by the investment manager on the Trustee's behalf. In doing so, the Trustee expects that the investment manager will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses."*

The Trustee's SIP was last reviewed in April 2024 following changes made to the Scheme's investment strategy. The latest version has been made available online here:

<https://schemedocs.com/download/phoenix-statement-of-investment-principles.pdf?ver=2024>

## How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment manager, the Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's investment manager, Insight Investment ("Insight"). Insight has confirmed that they are signatories to the Financial Reporting Council's UK Stewardship Code.
- The Trustee, with input from their investment consultant, annually receives and reviews (through their Implementation Statement), the stewardship and engagement policies of their investment manager to ensure alignment with their own policies. The findings of the Trustee's review are reported in this Implementation Statement which will also be included in the Scheme's Annual Report and Accounts for the year to 31 December 2024
- Having reviewed the data presented below and in accordance with their policies, the Trustee is comfortable that the actions of the investment manager are in alignment with the Scheme's stewardship policies.

## Voting Data

The Scheme currently invests entirely across bond funds, including buy and maintain credit, fixed interest gilt funds and index-linked gilt funds. Voting is not applicable to the Scheme's bond holdings as these funds invest only in fixed income assets, which have no voting rights. The Trustee has therefore not communicated voting preferences to their investment manager over the period.

As a result, the Scheme's investment manager does not utilise their proxy voting services on behalf of the Scheme.

## Fund level engagement

The investment manager may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by Insight during the year for the relevant funds.

Engagement activities are limited for the liquidity and LDI funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown. Additionally, as the Scheme fully disinvested from the Insight UK Corporate Long Maturities Bond Fund early in the year, engagement data for this fund has not been shown and data has instead been shown for its replacement fund, the Insight Long Dated Buy and Maintain Fund.

Manager	Insight
<b>Fund name</b>	Long Dated Buy and Maintain Fund
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	41
<b>Number of entities engaged at a firm level in the year</b>	607

## Examples of engagement activity undertaken over the year to 31 December 2024

Insight have only provided case studies at firm-wide level, so the engagements listed below may not be directly relevant to the particular strategies the Scheme is invested in but demonstrates the types of themed engagements being carried out at a firm-wide level.

### Insight – Credit Agricole

Credit Agricole is a bank holding company offering banking, insurance, consumer finance, leasing, and factoring services through its subsidiaries, as well as designing and managing financial products. Credit Agricole was one of the respondents to Insight's counterparty programme and one of the lowest scoring European banks due to weak disclosures.

As part of the engagement, Insight asked Credit Agricole how they were assessing their customers' transition plans and asked if they would expand the plans beyond the oil and gas sector. Credit Agricole explained the initial focus on oil and gas stems from the sector's position as the biggest exposure. Credit Agricole stated that beyond oil and gas, they are engaging with customers to produce transition plans so Credit Agricole can calculate the impact of new loans on the net zero target. If a new loan increases the intensity of their book, the credit committee will assess the loan and decide if the risk is deemed acceptable. Credit Agricole leans towards remaining invested and continuing the conversation with clients rather than excluding.

Insight also asked Credit Agricole about their lack of sustainable financing target, and Credit Agricole stated it will publish a medium-term plan to meet its net zero target. Insight followed up by asking how they measure the success of their green and sustainable financing, Credit Agricole stated they are intending to report a revenue contribution to sectors which are improving carbon intensity (e.g. residential portfolio). Given the lack of sustainable financing target, Insight note Credit Agricole lags their peers and Insight highlighted that they are one of the only banks assessed which did not have a sustainable financing target. Without a target, Insight feel it is unclear how Credit Agricole will address green finance opportunities going forward.

## Insight – Union Pacific Corporation

Union Pacific Corporation ("Union Pacific") is one of the largest railroad operating companies in North America. Insight engaged with Union Pacific after the company was flagged internally by Insight regarding health and safety and social controversies due to litigation over accidents or employment issues. Union Pacific also provided Insight with a high-level summary of its plans to reduce carbon emissions.

On the topic of accidents and health safety, Insight asked Union Pacific about their reporting processes. Union Pacific outlined that they report monthly to the Federal Railroad Administration, which enforces rail safety regulation, administers rail funding and researches rail improvement strategies and technology. Insight asked Union Pacific about any future initiatives and investments to help improve their safety record. Union Pacific said one area of focus over 2024 is a network of wayside detectors and car issue sensors. These are ultrasonic detectors that auto-inspect railroad ties to prevent derailments, providing information about when they were installed versus the degradation, and relative to the tonnage running over it. Insight also asked Union Pacific about how they link management performance and compensation with safety. Union Pacific noted they have added safety considerations to their executive committee's bonus calculation.

Insight asked Union Pacific to break down their plans to reduce carbon emissions by implementing new technology and their new internal targets. Union Pacific detailed several technological ventures to lower their carbon intensity, including hybrid yard structure, prototype electrical engines, biofuels and alternative diesel. Union Pacific stated they are willing to consider all alternatives to traditional locomotive engine design, but they are somewhat beholden on original equipment manufacturers to offer new designs.

The dialogue was constructive. Union Pacific's metrics on emissions and sustainability are better than most of their peers. Insight intend to follow up with Union Pacific to obtain greater information on the link between management compensation to safety, metrics on safety progress and if there is progress on emissions technology in locomotives

## Insight – Tesco PLC

Tesco PLC ("Tesco") is a UK-based retail company and one of the largest food and staples retailers in the UK. They provide retailing and associated services, as well as retail banking and insurance services. Insight engaged to understand how Tesco are diversifying its protein portfolio to promote sustainable and healthy diets and their climate strategy. Insight also engaged to get a better understanding of the company's intermediate action plans to address Scope 3 emissions. Tesco has an ambition for net zero emission across its value chain but has not disclosed intermediate action plans supporting Scope 3.

During the engagement, the company shared examples of how they are integrating protein diversification into their climate strategy, but relatively limited plans on scope 3 emissions. Insight encouraged the company to address Scope 3 like Tesco's peers have done and recommended they produce a roadmap achieving a 29% reduction in Scope 3 emissions. Insight also recommended the company disclose in their upcoming transition plan its plans to address Scope 3 emissions and the specific role protein diversification will play in achieving Tesco's Forest, Land and Agriculture related emissions reduction targets.

On healthy diets, Tesco has a sustainable diets programme which provides performance indicators for the company's health strategy and commitments. Tesco discussed the challenges in developing the programme and how they are addressing these challenges through a flagship initiative, reformulation of brand lines and launches of healthy products. Tesco also revealed it is making good progress towards its target of 65% of its UK and Republic of Ireland sales deriving from healthy foods. A key driver of this increase in healthier food sales is its protein diversification programme. Tesco performs well on many aspects of the protein diversification framework, including integration of sustainable proteins as a lever for decarbonisation.