

Implementation Statement

The First UK Bus Pension Scheme – DC Section

This Implementation Statement has been prepared by the Trustee of the First UK Bus Pension Scheme (“the Scheme”) in respect of the Scheme’s Defined Contribution (“DC”) section. It covers the Scheme year to 5 April 2021 and sets out:

- How the Scheme’s Statement of Investment Principles (“SIP”) has been followed over the year, along with details of any change.
- How the Trustee’s policies on exercising rights (including voting rights) and engagement have been followed over the year.
- The voting behaviour of the Trustee, or that undertaken on its behalf, over the year to 5 April 2021.

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme’s fund managers.

The Trustee’s policy on voting and engagement is set out in the Scheme’s Environmental, Social, and Governance (“ESG”) and Stewardship Policy, which forms part of the Statement of Investment Principles. The Trustee expects all managers to;

1. Exercise voting powers with the objective of preserving and enhancing long-term shareholder value;
2. Engage with stakeholders relating to its investments in order to:
 - a. improve corporate behaviours and governance;
 - b. improve performance, and social and environmental impact;
 - c. mitigate financial risks.

The Trustee periodically reviews engagement activity undertaken by its underlying investment managers to ensure that the policies outlined above are being met. In addition to this, the Trustee considers it to be a part of its investment managers’ role to assess and monitor how the companies in which they are investing are managing developments in ESG-related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the manager invests on behalf of the Scheme.

To ensure that the investment policies set out in the SIP are taken by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates certain responsibilities to its bundled pension provider, Aegon – the DC Section’s default investment option is structured as a ‘governed’ investment solution, which is designed and implemented by Aegon. Aegon is responsible for the selection and deselection of the underlying investment managers used through the default investment option as well as the ongoing relationships with the investment managers.

The Trustee undertook an initial review of the stewardship and engagement activities of the current managers at their 12 June 2019 meeting, and were satisfied that their policies were reasonable and no remedial action was required at that time.

The Trustee carries out a strategy review at least every three years where it assesses the continuing relevance of the strategy in the context of the Scheme’s membership and its aims, beliefs and constraints. The Trustee monitors the investment manager’s approach to ESG and climate-related risks on an annual basis.

Having reviewed the above in accordance with its policies, the Trustee is comfortable the actions of the fund manager is in alignment with the Scheme’s stewardship policies.

Voting Data

Investment managers report voting data on a quarterly basis. As a result, the information included in this section covers the year to 31 March 2021.

Note: the equity allocation for the LifePath Flexi, LifePath Capital and LifePath Retirement lifestyle funds is the same in terms of the underlying funds used. As such the voting data and significant votes will be identical for these lifestyle funds.

Manager	BlackRock	BlackRock	BlackRock	BlackRock	BlackRock	HSBC	Dimensional
Fund name	LifePath	ACS UK Equity Tracker	ACS World ex UK Equity Tracker	DC Diversified Growth Fund	iShares Global Property Securities Equity Fund (UK)	HSBC Islamic Global Equity Index Fund	Dimensional Emerging Markets Fund
Structure	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the managers' voting behaviour.						
Number of company meetings the manager was eligible to vote at over the year	6,102	808	2,203	928	356	109	378
Number of resolutions the manager was eligible to vote on over the year	65,704	11,044	27,246	11,707	3,826	1,597	4,668
Percentage of resolutions the manager voted on	100%	100%	92%	96%	91%	92%	69%
Percentage of resolutions the manager abstained from	1%	1%	0.3%	1%	0.4%	0%	0.5%

Manager	BlackRock	BlackRock	BlackRock	BlackRock	BlackRock	HSBC	Dimensional
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	92%	95%	94%	94%	95%	88%	91%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	7%	5%	6%	6%	5%	12%	8.5%
Percentage of resolutions voted <i>contrary to the recommendation of the proxy advisor</i>	<i>Not applicable*</i>	8%	<i>Not applicable**</i>				

* While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one of the inputs into their vote analysis process, and they do not necessarily follow their recommendations on how to vote. BlackRock primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship analysts can readily identify and prioritise those companies where their own additional research and engagement would be beneficial.

**Dimensional has developed its own proxy voting policy, which is implemented by ISS.

Figures may not total 100% due to a variety of reasons, including a lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or where a vote of 'Abstain' is also considered a vote against management.

Significant votes

For the Implementation Statement covering the year to 5 April 2021, we have delegated to the investment managers to define what a "significant vote" is. A summary of the data they have provided is set out below. We are working with the investment managers to get this information in a more consistent manner for future Implementation Statements.

1. BlackRock iShares Global Property Securities Equity Fund (UK)

BlackRock were unable to provide voting data for the iShares Global Property Securities Equity Fund (UK). We are continuously working with the investment managers to provide data in a usable format for future implementation statements.

2. BlackRock LifePath Flexi

	Vote 1	Vote 2	Vote 3
Company name	Exxon Mobil Corporation	Chevron Corp	Mizuho Financial Group Inc
Date of vote	27 May 2020	27 May 2020	25 June 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided	Not provided	Not provided
Summary of the resolution(s)	Re-election of two directors and requirement to have an Independent Board Chair	Report on Climate Lobbying aligned with Paris Agreement goals	Shareholder proposal to amend Articles of Incorporation to disclose a plan outlining company's business strategy to be in alignment with the goals of the Paris Agreement
How the manager voted	Against the re-election of the two directors. For the requirement to have an Independent Board Chair	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Not provided	Not applicable – voted with management	Vote was with management via an independent fiduciary

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	The manager voted against the re-election of two directors due to insufficient progress on alignment with TCFD reporting and related actions. The manager voted for the requirement to have an Independent Board Chair as they believe a robust independent leadership structure would be of benefit to the board.	The manager believes the greater transparency into the company's approach to political spending and lobbying aligned with their stated support for the Paris Agreement will help articulate consistency between messaging in context of managing climate risk and transition to a low carbon economy.	The independent fiduciary determined that the company had already put in place policies that address the issues raised in this resolution.
Outcome of the vote	Pass	Not provided	Fail
Implications of the outcome	Not provided	Not provided	Not provided
Criteria on which the vote is considered "significant"	Not provided	Not provided	Not provided

3. BlackRock ACS UK Equity Tracker

	Vote 1	Vote 2
Company name	Royal Dutch Shell Plc Class B	Volvo Class B
Date of vote	19 May 2020	18 June 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided	Not provided
Summary of the resolution(s)	Shareholder proposal to request that Shell set and publish targets for Greenhouse Gas Emissions	Re-elect 4 Directors; Re-elect Carl-Henric Svanberg as Board Chairman Approve remuneration policy and other terms of employment for executive management Limit contributions to Chalmers University of Technology Foundation to a maximum of SEK 4 million per year

	Vote 1	Vote 2
How the manager voted	Against	Against all
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Not applicable – voted with management	Not provided
Rationale for the voting decision	<p>The manager has been engaging with Shell on its climate commitments for a number of years. The proposal argued that Shell's ambition to reduce its net carbon intensity by 50% by 2050 in a growing energy system would not ultimately lead to the level of absolute emissions reduction necessary to achieve the goals of the Paris Agreement. Since the submission of this resolution, the company has updated its commitment to reduce its carbon footprint more aggressively and to become a "net-zero emissions energy business" by 2050.</p>	<p>BlackRock had concerns about progress on climate-related risks reporting, the structure of executive pay at the company and the approach taken by the shareholder to micromanage company activities.</p>
Outcome of the vote	Not provided	Not provided
Implications of the outcome	Not provided	Not provided
Criteria on which the vote is considered "significant"	Not provided	Not provided

4. BlackRock ACS World ex UK Equity Tracker

	Vote 1	Vote 2	Vote 3
Company name	Danske Bank	Banco Santander SA	Volkswagen AG
Date of vote	9 June 2020	10 June 2020	30 Sep 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided	Not provided	Not provided

Summary of the resolution	<p>Re-elect 3 Directors (members of remuneration committee)</p> <p>Approve Board Remuneration for 2020 and 2021</p> <p>Approve Guidelines for Incentive-Based Compensation for Executive Management and Board</p>	<p>Report on Risk of Racial Discrimination in Vehicle Lending</p>	<p>To discharge a number of Management Board and Supervisory Board members</p> <p>To re-elect Dr. Hussain Ali Al Abdulla as Supervisory Board member</p>
How the manager voted	<p>Abstained from the re-election of the members of the remuneration committee</p> <p>Against remuneration proposals</p>	<p>For Shareholder Proposal</p>	<p>Against both</p>
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	<p>Not provided</p>	<p>Not provided</p>	<p>Not applicable – voted with management</p>
Rationale for the voting decision	<p>Last year, despite having concerns with remuneration which BlackRock raised in their engagement and having abstained from the remuneration related proposals, BlackRock recognised their short tenure on the board. However, BlackRock have seen limited progress this year and continue to have concerns on remuneration structure, disclosure and outcomes.</p> <p>The board had proposed a substantial increase in fees across board positions, for example, as much as 40% for the chairman role and 64% for the vice chairman. Whilst BlackRock recognise the Bank's circumstances might require more oversight from the board, they do not believe that such sizeable increases are warranted across all roles. BlackRock also had concerns regarding the company's remuneration disclosures and structural elements such as the granting of sign-on awards.</p>	<p>BlackRock believe discriminatory lending practices (of all forms) are a material risk to the company's business and shareholders would benefit from increased and improved disclosure on compliance programs, processes and procedures, as well as risk mitigation processes and procedures, to prevent discriminatory lending (including racial discrimination).</p>	<p>BlackRock voted against the discharge of members of the Board of Management who were already serving at the time of an emissions incident in 2015 in order to hold those individuals accountable for the deficiencies in the company's governance practices and management of its material risks.</p> <p>BlackRock have ongoing concerns with the insufficient level of independence on the Supervisory Board and its subcommittees. The manager's policy is to withhold support from the re-election or discharge of those members who are most accountable for Supervisory Board composition.</p>
Outcome of the vote	<p>Not provided</p>	<p>Not provided</p>	<p>Not provided</p>

Implications of the outcome	Not provided	BlackRock will continue to monitor the evolution of this disclosure and underlying business practices with regards to compliance and risk mitigation in relation to discriminatory lending.	Not provided
Criteria on which the vote is considered "significant"	Not provided	Not provided	Not provided

5. BlackRock DC Diversified Growth

	Vote 1	Vote 2	Vote 3
Company name	Barclays Plc	Woodside Petroleum LTD	Daimler AG
Date of vote	7 May 2020	30 April 2020	8 July 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided	Not provided	Not provided
Summary of the resolution	Approval of Barclays' Commitment to Tackling Climate Change; Approval of the ShareAction Requisitioned Resolution (shareholder resolution)	Special Resolution to amend the company Constitution; Ordinary Resolution on Paris goals and targets; Ordinary resolution on climate related lobbying; Ordinary resolution on reputation advertising activities.	Ratification of Supervisory Board members' actions in the 2019 financial year Resolution on the election of Timotheus Höttges as a member of the Supervisory Board Resolution on the amendment of Article 16 of the Articles of Incorporation
How the manager voted	For management resolutions Against the shareholder resolution via an independent fiduciary	Against all	Against all

	Vote 1	Vote 2	Vote 3
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Not applicable – voted with management	Not applicable – voted with management	Not provided
Rationale for the voting decision	The independent fiduciary determined that the company sets a clear ambition to become net-zero and align to the goals of the Paris Agreement, addressing shareholders' concerns for the time being. The approval of the ShareAction Requisitioned Resolution in addition to the above would have been problematic as both resolutions would be binding.	BlackRock is generally not supportive of constitutional amendment resolutions as the relative ease of filing risks distracting and time-consuming proposals being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base. BlackRock believe shareholder proposals should be a tool used after engagement has failed, which they do not believe was the case. They also believe that the climate-related resolutions are all sufficiently met by the company already and so voted with board against these resolutions.	BlackRock had concerns about progress on climate-related risk reporting, the external mandates held by the proposed Supervisory Board member, and the reduction in shareholder rights from the proposed article amendment.
Outcome of the vote	Not provided	Not provided	BlackRock shared with the company that they expect disclosures in line with the TCFD framework by the following year. Subsequent to this discussion, but after the vote instructions were submitted, the company published a TCFD cross reference table on its website, mapping the TCFD recommendations to the relevant pages in its 2019 annual and sustainability reports.
Implications of the outcome	Not provided	Not provided	Not provided
Criteria on which the vote is considered "significant"	Not provided	Not provided	Not provided

6. HSBC Islamic Global Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Alphabet Inc.	Facebook, Inc.	Abbott Laboratories
Date of vote	3 Jun 2020	27 May 2020	24 Apr 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.6%	3.9%	1.2%
Summary of the resolution	Shareholder resolution: Approve Recapitalisation Plan for all Stock to Have One-vote per Share	Report on Median Gender/Racial Pay Gap	Shareholder resolution: Reduce Supermajority Vote Requirement
How the manager voted	For	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	HSBC have not communicated their intent in this instance but had discussions with the company after the meeting.	HSBC have not communicated their intent in this instance but had discussions with the company after the meeting.	HSBC have not communicated their intent in this instance but had discussions with the company after the meeting.
Rationale for the voting decision	HSBC support the principle of one share-one vote as they believe that this is the best means of ensuring accountability to all shareholders, in the long term interest of the company.	HSBC favours transparency around gender pay as they believe this can encourage appropriate management of the issue.	HSBC favour one share, one vote and support measures to reduce/ remove supermajority requirements.
Outcome of the vote	Supported Management	Supported Management	Against Management
Implications of the outcome	HSBC contacted the company to explain their rationale. They requested the opportunity to discuss this further and to explain that they may vote similarly at future annual general meetings (AGMs), if this issue arises again.	HSBC contacted the company to explain their rationale. They requested the opportunity to discuss this further and will vote similarly at future AGMs when this issue arises again.	HSBC contacted the company explaining their rationale. They plan to ask how and when the company intends to apply the changes to its by-law to incorporate the clear will of shareholders.
Criteria on which the vote is considered "significant"	HSBC consider this vote to be relevant on the basis that it was cast against the management recommendation and covered a relevant shareholder right issue.	HSBC considers this vote to be relevant on the basis it was cast against the management recommendation and covered a relevant issue	The vote was cast against the management recommendation and covered a relevant shareholder right.

Vote 1

Vote 2

Vote 3

affecting the company's governance and social reputation.

7. Dimensional Emerging Markets Fund

Vote 1

Vote 2

Vote 3

	Vote 1	Vote 2	Vote 3
Company name	Shinhan Financial Group Co., Ltd.	Old Mutual Ltd.	KB Financial Group, Inc.
Date of vote	25 Mar 2021	29 May 2020	20 Nov 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.23%	0.10%	0.12%
Summary of the resolution	Elect Directors	Elect Member of Audit Committee	Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No, Dimensional generally does not communicate its voting intentions prior to the vote.	No, Dimensional generally does not communicate its voting intentions prior to the vote.	No, Dimensional generally does not communicate its voting intentions prior to the vote.
Rationale for the voting decision	Voted against the directors for failure to dismiss board members indicted in an ongoing investigation into embezzlement of company funds.	Dimensional voted against the non-independent member of the Audit Committee because market best practice is for the Audit Committee to be made up of independent directors.	Shareholders were seeking to elect two shareholder nominee directors to the board. Dimensional had no concerns with current board independence or overall board competence.
Outcome of the vote	All directors re-elected.	Passed. Director received 66.7% support.	Failed.
Implications of the outcome	Dimensional continues to monitor the Company and may continue to vote against directors if the CEO remains on the board.	Dimensional continues to monitor the composition of the Audit Committee. Dimensional may continue to vote against directors if concerns remain.	Dimensional continues to monitor shareholder proposals at future company meetings.

	Vote 1	Vote 2	Vote 3
Criteria on which the vote is considered "significant" *	Director elections are one of the key areas of focus for Dimensional globally. Shareholders elect the board of a Portfolio Company to represent their interests and oversee management and expect boards to adopt policies and practices that align the interests of the board and management with those of shareholders and limit the potential for conflicts of interest.	Director elections are one of the key areas of focus for Dimensional globally. Shareholders elect the board of a Portfolio Company to represent their interests and oversee management and expect boards to adopt policies and practices that align the interests of the board and management with those of shareholders and limit the potential for conflicts of interest.	Director elections are one of the key areas of focus for Dimensional globally. Shareholders elect the board of a Portfolio Company to represent their interests and oversee management and expect boards to adopt policies and practices that align the interests of the board and management with those of shareholders and limit the potential for conflicts of interest.

* When determining significant votes, Dimensional prioritised votes on the issues they believe are key to protecting shareholder interests. They believe that a well-functioning board, executive remuneration aligned with Company performance, and the effective management of environmental and social risks may be reflected in increased valuations through a combination of lower discount rates and higher cash flows. They intend to demonstrate how their proxy voting policy addresses failures in these areas.

Fund level engagement

Investment managers report engagement data on a quarterly basis. As a result, the information included in this section covers the year to 31 March 2021. At the time of writing, a number of managers were unable to provide us with specific engagement data, as this data was not readily available. Our investment consultants are in discussion with the managers around how this data will be provided in future Statements.

Manager	BlackRock	HSBC	Dimensional	Aberdeen Standard
Fund name	LifePath Flexi ACS UK Equity Tracker ACS World ex UK Equity Tracker DC Diversified Growth Fund Property Fund Over 5 Year Index-linked Gilt Index Over 15 Year Index-Linked Gilt Index Cash	HSBC Islamic Global Equity Index Fund	Emerging Markets Fund	Standard Life Corporate Bond Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes for the passive equity funds. Data not provided by BlackRock in respect of the bond funds.	Yes	Yes	<i>Not provided</i>
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	<i>Not provided</i>
Number of engagements undertaken on behalf of the holdings in this fund in the year	LifePath: 2,096 UK Equity: 2,845 DGF: 1,152 <i>Not provided for World ex UK Equity, Property, Cash and gilt funds</i>	82	13	<i>Not provided</i>
Number of engagements undertaken at a firm level in the year	<i>Not provided</i>	2,280	608	<i>Not provided</i>
Examples of engagements undertaken with holdings in the fund	Engagement topics include remuneration, management of human capital, board composition and climate risk management risk.	Engagement topics included climate change, board independence and deforestation.	Engagement topics included Human and labour rights, Remuneration and Climate change.	<i>Not provided</i>

Manager	Aberdeen Standard	LGIM	Columbia Threadneedle	Aviva Investors
Fund name	Standard Life Property Fund	LGIM Managed Property Fund	Aegon Threadneedle Pensions Property	Aviva Pensions Property Fund
Does the manager perform engagement on behalf of the holdings of the fund	<i>Not provided</i>	<i>Not provided</i>	<i>Not provided</i>	<i>Not provided</i>
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	<i>Not provided</i>	<i>Not provided</i>	<i>Not provided</i>	<i>Not provided</i>
Number of engagements undertaken on behalf of the holdings in this fund in the year	<i>Not provided</i>	<i>Not provided</i>	<i>Not provided</i>	<i>Not provided</i>
Number of engagements undertaken at a firm level in the year	1,940	974	<i>Not provided</i>	3037
Examples of engagements undertaken with holdings in the fund	<i>Not provided</i>	<i>Not provided</i>	<i>Not provided</i>	<i>Not provided</i>

Adherence to the SIP

In the Trustees' opinion, the Statement of Investment Principles has been followed over the year in the following ways:

- **The DC Section continues to offer a suitable default investment option for members.** The Trustee, supported by the Trustee's professional advisers, completed a triennial review of the default investment option in May 2019, which considered the membership profile of the DC Section and their potential needs. This resulted in a change to the target member outcome of the default investment path from one shaping towards cash to a strategy targeting drawdown.
- **An appropriate range of self-select options is made available.** As part of the May 2019 review noted above, the Trustee also considered the range of self-select investment options provided through the DC Section. These options are designed to provide flexibility for members and allow them to tailor their investment choices to meet their needs. The review concluded an ESG fund should be included in the range.
- **New ESG option added to DC Section's investment options.** Over the course of the Scheme year, the Trustee has undertaken an ESG fund selection exercise in order to identify a suitable fund to be added to the range of self-select funds. The Scheme is in the process of adding the selected fund to the self-select range, after taking advice from its professional advisers in February 2021.
- **Quarterly monitoring of the managers ESG capabilities did not identify any issues.** The Trustee, supported by its professional advisers, monitor ESG characteristics of the DC Section's default investment option quarterly. The default has seen a number of positive changes enacted to the default which reflect the Trustee's beliefs regarding ESG considerations.

Aegon also provides quarterly investment performance reporting to support the Trustee with this review. There were no instances where the performance of the DC Section's investment funds deviated from the performance of their stated benchmarks such that remedial action was necessary.

- **Ongoing review of the investment managers' policies on ESG, stewardship and engagement.** The Scheme's DC section invests entirely in pooled funds via the Aegon platform, and as such, the responsibility for carrying out voting and engagement activities has been delegated to the Scheme's fund managers. The Trustee, completed an initial assessment of the Environmental, Social and Governance (ESG) and stewardship policies of Aegon and the DC Section's pooled fund managers. This assessment formed part of the triennial investment review. As a result of this assessment the Trustee concluded that the policies of Aegon and the DC Section's pooled fund managers were reasonable and were not out of line with the Trustee's own policies outlined in the SIP. As such, no immediate action was taken.

- **Non-financial matters did not influence the investment strategy over the Scheme year.** The Trustee did not make any allowance for non-financial matters and did not consider any member views for incorporation into its ESG policy over the Scheme year.
- **Communicating ESG and stewardship with DC Section members.** The Trustee expects that the annual communication to members regarding ESG and stewardship will be addressed in this annual Implementation Statement. This document is a statutory report and will continue to be produced on an annual basis alongside the Scheme's Annual Report and Accounts.

**Prepared by the Trustee of the First UK Bus Pension Scheme
September 2021**