The First Bus Retirement Savings Plan

Chair's statement regarding the governance of defined contribution arrangements

Period from 24 September 2023 to 5 April 2024

1. Introduction

1.1. This statement has been prepared by The First Bus Retirement Savings Plan Trustee Limited ("the Trustee"), the Trustee of The First Bus Retirement Savings Plan ("the Plan"), to report on compliance with governance standards.

1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.

1.3. The Plan is a new occupational pension scheme established from 24 September 2023. Prior to this date, contributions were made by the same employers into the First UK Bus Pension Scheme (the Scheme), which was a hybrid occupational scheme with DC and defined benefit (DB) Sections. Following the sponsoring employer's redirection of contributions to the Plan, the Trustee of the Scheme received a request from the sponsoring employer to transfer accrued DC assets in bulk to the Plan. The Trustee took professional advice from its advisors and subsequently decided to transfer accrued DC assets into the Plan in November 2023.

1.4. The Plan provides only DC benefits, is open to future contributions and is used as a qualifying automatic enrolment scheme. The administration services for the Plan's member records and investment platform services are provided by Aegon (a brand name of Scottish Equitable plc).

1.5. This statement covers the period from the establishment of the Plan, 24 September 2023 to the first Plan year end date, 5 April 2024.

2. The Plan's default investment arrangement

2.1. For members who are automatically enrolled into the Plan and do not make an alternative selection, contributions are invested in the Aegon BlackRock LifePath Flexi Funds ("LifePath Flexi").

2.2. The key features of the LifePath Flexi are:

2.2.1. It is structured as target date funds across three-year maturity date windows, with the fund most closely aligned to a member's target retirement date being used. For example, a member with a target retirement date in 2026 would be invested in the Aegon BlackRock LifePath Flexi Fund 2025 – 2027.

2.2.2. Each target date fund invests in a broad mix of assets which are automatically rebalanced at different stages depending on the fund's maturity date window. When this is further away, emphasis is placed on growth assets in search of long-term returns that exceed inflation.

2.2.3. As a fund's maturity date window approaches, broadly over the final 10 years, the investments are progressively switched to lower risk investments to give more protection to the value built up. This de-risking assumes that members will access their pension savings through retirement via drawdown, so retains an allocation to growth assets at a member's target retirement date.

2.2.4. BlackRock will adjust the investment profile, strategy and asset allocations on an ongoing basis in order to take account of changes in market conditions and their strategic view of long-term drivers of performance.

2.3. In addition to LifePath Flexi, there are two other default strategies under regulatory reporting requirements:

2.3.1. The Aegon BlackRock LifePath Capital Funds ("LifePath Capital") are a version of the target date funds that targets withdrawal as a cash lump sum at retirement. This is a legacy default strategy which was retained for members who were within 10 years of their target retirement date when the default strategy of the Scheme was changed to the LifePath Flexi Funds. These members retained their accrued investments in LifePath Capital when they were transferred without consent to the Plan so it remains a 'deemed' default strategy.

2.3.2. The Replacement Cash Fund. This originates from the redirection of contributions upon the temporary suspension of the Aegon Property Fund in 2020 and invests in the same underlying building blocks as the Plan's self-select cash fund (UK Bus Cash Fund). This has been created as a separate share class so the UK Bus Cash Fund is not also considered a default. Following previous review, the Trustee intends to transfer all funds from the Replacement Cash Fund to LifePath Flexi and will implement this along with some wider investment changes which are currently under consideration and will be communicated to members once agreed.

Asset allocation of the default

2.4. We have provided further details in the tables below of the underlying asset allocation of the default investment arrangements. We have provided this information in line with statutory guidance.

2.5. Within the default investment arrangement, the underlying assets change over time. Asset allocations are shown for members aged 25, 45, 55 and retirement age, all assuming retirement at age 65.

Aegon BlackRock LifePath Flexi

Asset Class	Allocation (%)			
	25-year-old	**45-year-old**	**55-year-old**	**Retirement age (65)**
Cash	-	-	-	-
Bonds	-	19.1	38.9	60.0
Listed Equities	95.1	77.2	58.5	37.7
Private Equity	-	-	-	-
Infrastructure	-	-	-	-
Property	4.9	3.7	2.4	1.0
Private Debt	-	-	-	-
Other	-	-	0.2	1.3

Aegon BlackRock LifePath Capital

Asset Class	Allocation (%)			
	25-Year-Old	**45-Year-Old**	**55-Year-Old**	**Retirement Age (65)**
Cash	-	-	7.7	100.0
Bonds	-	19.1	35.8	-
Listed Equities	95.1	77.2	54.2	-
Private Equity	-	-	-	-
Infrastructure	-	-	-	-
Property	4.9	3.7	2.2	-
Private Debt	-	-	-	-
Other	-	-	0.1	-

Replacement Cash Fund

Asset Class	Allocation (%)	Asset Class	Allocation (%)
Cash	100	Bonds, Listed Equities, Private Equity, Infrastructure, Property, Private Debt, Other	-

Review of the default investment arrangement

2.6. A strategic review of the default investment arrangement as part of the regular business of the Plan was not undertaken during the period covered by this statement. Prior to the establishment of the Plan, the Trustee of the Scheme undertook strategic reviews of the default investment arrangements on a triennial cycle. The last of these formal reviews was last undertaken in May 2022 and the Trustee of the Plan intends to keep to a triennial cycle for such reviews.

2.7. As stated in Section 1, the Trustee of the Scheme took professional advice in July 2023 on the decision to bulk transfer assets to the Plan, and this included consideration of whether LifePath Flexi should be implemented as the default strategy of the Plan as it was for the DC Section of the transferring scheme. The advice considered member circumstances and demographics and noted that these had not materially changed since the 2022 strategic review for the Scheme. The Trustee therefore took the decision that LifePath Flexi was still suitable and would be implemented as the Plan’s default strategy.

2.8. The Trustee also monitors the performance of all investment options, including the default, on a quarterly basis. These quarterly reviews are part of the regular governance of the Plan and do not constitute part of the formal review of the default, which ordinarily follows a three-year cycle.

Further information on investments

2.9. Details of the default investment arrangements are set out in the Statement of Investment Principles attached to this statement. This document is reviewed and updated in line with statutory requirements.

3. Net investment returns

3.1. This section states the annual return, after the deduction of member borne charges and transaction costs, for all default arrangements and investment options that members are able, or were previously able, to select and in which members' assets were invested during the Plan Year. When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

3.2. We have provided the net investment returns to 31 March 2024 below. Although the Plan has only been in operation since September 2023, we have provided returns covering longer periods as members were invested in the same funds in the Scheme before the transition.

Description	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
Aegon BlackRock LifePath Capital (BLK) Class DL	4.89	2.17	1.37
Aegon BlackRock LifePath Capital (BLK) Class YL	4.94	2.23	1.41
Aegon BlackRock LifePath Capital 2022-2024 (BLK) Class G	4.71	1.14	2.41
Aegon BlackRock LifePath Capital 2025-2027 (BLK) Class G	7.04	1.32	3.33
Aegon BlackRock LifePath Capital 2028-2030 (BLK) Class G	9.15	1.80	4.32
Aegon BlackRock LifePath Capital 2031-2033 (BLK) Class G	11.30	2.34	5.03
Aegon BlackRock LifePath Capital 2034-2036 (BLK) Class G	12.95	3.26	5.83
Aegon BlackRock LifePath Capital 2037-2039 (BLK) Class G	14.18	4.09	6.59
Aegon BlackRock LifePath Capital 2043-2045 (BLK) Class G	17.02	5.86	8.10
Aegon BlackRock LifePath Capital 2046-2048 (BLK) Class G	18.31	6.69	8.80
Aegon BlackRock LifePath Capital 2049-2051 (BLK) Class G	19.27	7.19	9.24
Aegon BlackRock LifePath Capital 2052-2054 (BLK) Class G	20.00	7.61	9.56
Aegon BlackRock LifePath Capital 2055-2057 (BLK) Class G	20.35	7.84	9.75
Aegon BlackRock LifePath Capital 2058-2060 (BLK) Class G	20.48	7.88	9.77
Aegon BlackRock LifePath Capital 2061-2063 (BLK) Class G	20.49	7.88	9.77
Aegon BlackRock LifePath Capital 2067-2069 (BLK) Class G	20.50	7.87	9.76
Aegon BlackRock LifePath Flexi (BLK) Class G	7.65	-0.31	2.50
Aegon BlackRock LifePath Flexi (BLK) Class Y	7.59	-0.36	2.44
Aegon BlackRock LifePath Flexi 2022-2024 (BLK) Class G	7.59	-0.07	2.93
Aegon BlackRock LifePath Flexi 2025-2027 (BLK) Class G	9.32	0.91	3.73
Aegon BlackRock LifePath Flexi 2028-2030 (BLK) Class G	10.65	1.82	4.47
Aegon BlackRock LifePath Flexi 2031-2033 (BLK) Class G	11.84	2.52	5.15
Aegon BlackRock LifePath Flexi 2034-2036 (BLK) Class G	12.95	3.26	5.82
Aegon BlackRock LifePath Flexi 2037-2039 (BLK) Class G	14.18	4.09	6.59
Aegon BlackRock LifePath Flexi 2040-2042 (BLK) Class G	15.70	5.01	7.36
Aegon BlackRock LifePath Flexi 2043-2045 (BLK) Class G	17.02	5.86	8.10
Aegon BlackRock LifePath Flexi 2046-2048 (BLK) Class G	18.31	6.69	8.80

Description	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
Aegon BlackRock LifePath Flexi 2049-2051 (BLK) Class G	19.27	7.19	9.24
Aegon BlackRock LifePath Flexi 2052-2054 (BLK) Class G	20.01	7.61	9.56
Aegon BlackRock LifePath Flexi 2055-2057 (BLK) Class G	20.36	7.84	9.75
Aegon BlackRock LifePath Flexi 2058-2060 (BLK) Class G	20.48	7.88	9.77
Aegon BlackRock LifePath Flexi 2061-2063 (BLK) Class G	20.49	7.88	9.77
Aegon BlackRock LifePath Flexi 2064-2066 (BLK) Class G	20.49	7.88	9.77
Aegon BlackRock LifePath Flexi 2067-2069 (BLK) Class G	20.51	7.89	9.78
Aegon BlackRock LifePath Flexi 2070-2072 (BLK) Class G	20.53	7.91	9.79
Aegon BlackRock LifePath Flexi 2073-2075 (BLK) Class G	20.62	7.94	9.81
Aegon BlackRock LifePath Retirement 2025-27 (BLK) Class G	5.76	-2.05	1.38
Aegon BlackRock LifePath Retirement 2028-30 (BLK) Class G	8.48	0.23	3.30
Aegon BlackRock LifePath Retirement 2031-33 (BLK) Class G	11.26	2.36	5.04
Aegon BlackRock LifePath Retirement 2034-36 (BLK) Class G	12.94	3.26	5.82
Aegon BlackRock LifePath Retirement 2037-39 (BLK) Class G	14.18	4.09	6.58
Aegon BlackRock LifePath Retirement 2040-42 (BLK) Class G	15.70	5.01	7.35
Aegon BlackRock LifePath Retirement 2043-45 (BLK) Class G	17.02	5.86	8.10
Aegon BlackRock LifePath Retirement 2046-48 (BLK) Class G	18.31	6.69	8.79
Aegon BlackRock LifePath Retirement 2049-51 (BLK) Class G	19.26	7.18	9.23
Aegon BlackRock LifePath Retirement 2052-54 (BLK) Class G	20.00	7.61	9.55
Aegon BlackRock LifePath Retirement 2055-57 (BLK) Class G	20.35	7.84	9.74
Aegon BlackRock LifePath Retirement 2058-60 (BLK) Class G	20.48	7.87	9.76
Aegon BlackRock LifePath Retirement 2061-63 (BLK) Class G	20.48	7.87	9.76
Replacement Cash Fund	4.89	2.17	1.37
UK Bus Cash Class UB	4.89	2.17	1.37
UK Bus Corporate Bonds Class UB	6.57	-3.82	-0.60
UK Bus Diversified Growth Class UB	8.46	1.81	3.72
UK Bus EM Equity Class UB	7.91	1.99	4.83
UK Bus ESG Equity Fund Class UB *	21.46	Not available *	
UK Bus Global Equity Class UB	16.52	9.68	9.67
UK Bus Index Linked Gilts Class UB	-7.92	-12.58	-6.98
UK Bus Over 15 Year Gilts Class UB	-5.02	-15.27	-8.51
UK Bus Property Class UB	1.55	1.07	0.83
UK Bus Shariah Global Equity Class UB	29.13	14.12	16.49

* This fund has only been available to Plan (and previously Scheme) members since September 2021 so longer term performance is not yet available.

4. Core financial transactions

4.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately.

4.2. Core financial transactions comprise the following:

4.2.1. investment of DC contributions.

4.2.2. transfers into and out of the Plan.

4.2.3. investment switches within the Plan.

4.2.4. payments out of the Plan in respect of members.

Controls and monitoring arrangements

4.3. Processing of core financial transactions are undertaken by Aegon. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are as follows:

4.3.1. The scope of Aegon's administration functions is recorded in detail in a process manual.

4.3.2. The Trustee has established robust processes to monitor Aegon's performance in undertaking the administration function of the Plan. The Trustee receives quarterly reporting from Aegon which includes information on the timeliness of contribution payments and their investment, service provision, data protection breaches and complaints.

4.3.3. The Trustee considers these reports in detail as a regular item at its quarterly meetings, where representatives from Aegon attend to discuss the key points with the Trustee and to answer any questions.

4.3.4. Service Level Agreements (SLAs) have been agreed as part of the contract between the Trustee and Aegon. These SLAs set out the agreed maximum timescales and accuracy standards for all services provided by Aegon in respect of the Plan. Aegon undertakes to ensure that at a minimum, 95% of all tasks are completed within the defined SLAs. The agreed SLAs for the core financial transactions identified in 4.2 above are as follows:

Core financial transaction	SLA criteria
Investment of contributions	100% of the contribution schedules processed within 1 day of receipt. 100% of BACS payment then processed within 2 days.
Transfers in	95% within 5 days
Transfer out	90% within 1 day
Investment switches	100% within 1 day
Payments out of the Plan	Claims have an SLA of 90% in 1 day Contribution refunds have an SLA of 95% in 5 days.

4.3.5. Administration is captured as part of the Plan's risk register and risks are clearly documented. This includes details of the controls established by the Trustee and records details of any required actions. This is reviewed regularly and updated annually.

4.3.6. Aegon has internal controls procedures in place which are subject to both internal and external audits. Aegon also reconciles units after each transaction. Aegon has a daily checklist that is run by their dealing team to verify that all dealing activities are completed accurately and on a timely basis.

4.3.7. The Plan's annual report and accounts is externally audited.

4.3.8. The Plan's membership data is subject to an annual audit and data improvement processes, where required. Membership data is also reviewed after special data projects and prior to submitting the Scheme Return.

Performance during the Plan year

4.4. Aegon's performance against the agreed SLAs for the core financial transactions are set out below covering the period from 1 October 2023 to 31 March 2024:

Core financial transaction	Quarter 4 2023	Quarter 1 2024
Investment of contributions (contribution schedule)	100%	100%
Investment of contributions (BACS payment)	100%	100%
Transfers in	93%	99%
Transfers out	98%	100%
Investment switches	100%	100%
Payments out (claims)	94%	97%
Payments out (contribution refunds)	92%	96%

4.5. Aegon also provided the Trustee details of its monthly Net Promoter Score, a measure commonly used to gauge customer satisfaction. This ranged from +36 to +53 across Aegon's whole client base between October 2023 and March 2024, where a positive score is felt to be good and a score of +50 is excellent.

4.6. The Trustee reviewed the details of complaints incurred over the reporting period and was satisfied that these did not identify any structural and repeated administration issues which needed resolved, and that Aegon were able to resolve any errors where these did arise to ensure no member detriment.

4.7. The transfer of assets into the Plan from the Scheme's DC Section in November 2023 also represented a significant core financial transaction. The Trustees of both the Plan and the Scheme liaised closely with Aegon and its professional advisers in the lead up to this transfer to ensure that a suitable project plan and processes were in place, the data held was of the required standard and a robust transition plan had been agreed to support the efficient transfer of assets without detriment to members. The transfer took place as planned and Aegon provided the Trustee with a post-transition report confirming the numbers of members and assets that were transferred. As members' investments from the Scheme were being replicated in the Plan, the asset transition was undertaken via re-registration and so no costs to members were incurred.

Trustee assessment of core financial transactions

4.8. In view of the controls and monitoring arrangements outlined above, and the lack of issues experienced over the reporting period, the Trustee believes that overall core financial transactions have been processed promptly and accurately.

5. Member-borne charges and transaction costs

5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:

5.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).

5.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

5.2. The following table provides details of the charges and transaction costs applied to each of the investment options provided through the Plan split between the default strategies and self-select options. This data has been sourced from Aegon and covers the year to 31 March 2024.

Default Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Flexi Class G	0.36%	0.027%
Aegon BlackRock LifePath Flexi 2022-2024 Class G	0.36%	0.015%
Aegon BlackRock LifePath Flexi 2025-2027 Class G	0.36%	0.026%
Aegon BlackRock LifePath Flexi 2028-2030 Class G	0.36%	0.031%
Aegon BlackRock LifePath Flexi 2031-2033 Class G	0.36%	0.035%
Aegon BlackRock LifePath Flexi 2034-2036 Class G	0.36%	0.038%
Aegon BlackRock LifePath Flexi 2037-2039 Class G	0.36%	0.040%
Aegon BlackRock LifePath Flexi 2040-2042 Class G	0.36%	0.042%
Aegon BlackRock LifePath Flexi 2043-2045 Class G	0.36%	0.042%
Aegon BlackRock LifePath Flexi 2046-2048 Class G	0.36%	0.041%
Aegon BlackRock LifePath Flexi 2049-2051 Class G	0.36%	0.040%
Aegon BlackRock LifePath Flexi 2052-2054 Class G	0.36%	0.040%
Aegon BlackRock LifePath Flexi 2055-2057 Class G	0.36%	0.035%
Aegon BlackRock LifePath Flexi 2058-2060 Class G	0.36%	0.055%
Aegon BlackRock LifePath Flexi 2061-2063 Class G	0.36%	0.055%
Aegon BlackRock LifePath Flexi 2064-2066 Class G	0.36%	0.055%
Aegon BlackRock LifePath Flexi 2067-2069 Class G	0.36%	0.055%
Aegon BlackRock LifePath Flexi 2070-2072 Class G	0.36%	0.054%
Aegon BlackRock LifePath Flexi 2073-2075 Class G	0.36%	0.054%

Alternative Default Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Capital Class DL	0.33%	0.016%
Aegon BlackRock LifePath Capital Class YL	0.33%	0.016%
Aegon BlackRock LifePath Capital 2022-2024 Class G	0.36%	0.015%
Aegon BlackRock LifePath Capital 2025-2027 Class G	0.36%	0.021%

Alternative Default Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Capital 2028-2030 Class G	0.36%	0.028%
Aegon BlackRock LifePath Capital 2031-2033 Class G	0.36%	0.034%
Aegon BlackRock LifePath Capital 2034-2036 Class G	0.36%	0.038%
Aegon BlackRock LifePath Capital 2037-2039 Class G	0.36%	0.040%
Aegon BlackRock LifePath Capital 2043-2045 Class G	0.36%	0.042%
Aegon BlackRock LifePath Capital 2046-2048 Class G	0.36%	0.041%
Aegon BlackRock LifePath Capital 2049-2051 Class G	0.36%	0.040%
Aegon BlackRock LifePath Capital 2052-2054 Class G	0.36%	0.040%
Aegon BlackRock LifePath Capital 2061-2063 Class G	0.36%	0.055%
Replacement Cash Fund	0.30%	0.016%

Self Select Fund	Total Expense Ratio (TER)	Transaction Costs
Aegon BlackRock LifePath Retirement 2025-2027 Class Y	0.36%	0.039%
Aegon BlackRock LifePath Retirement 2028-2030 Class Y	0.36%	0.038%
Aegon BlackRock LifePath Retirement 2031-2033 Class Y	0.36%	0.037%
Aegon BlackRock LifePath Retirement 2034-2036 Class Y	0.36%	0.038%
Aegon BlackRock LifePath Retirement 2037-2039 Class Y	0.36%	0.040%
Aegon BlackRock LifePath Retirement 2040-2042 Class Y	0.36%	0.042%
Aegon BlackRock LifePath Retirement 2043-2045 Class Y	0.36%	0.042%
Aegon BlackRock LifePath Retirement 2046-2048 Class Y	0.36%	0.041%
Aegon BlackRock LifePath Retirement 2049-2051 Class Y	0.36%	0.040%
Aegon BlackRock LifePath Retirement 2052-2054 Class Y	0.36%	0.040%
Aegon BlackRock LifePath Retirement 2055-2057 Class Y	0.36%	0.035%
Aegon BlackRock LifePath Retirement 2058-2060 Class Y	0.36%	0.055%
Aegon BlackRock LifePath Retirement 2061-2063 Class Y	0.36%	0.055%
UK Bus Cash	0.30%	0.016%
UK Bus Corporate Bond	0.61%	0.100%
UK Bus Diversified Growth	0.59%	0.291%
UK Bus EM Equity	0.90%	0.067%
UK Bus ESG Equity Fund	0.42%	0.060%
UK Bus Global Equity	0.36%	0.059%
UK Bus Index Linked Gilts	0.36%	0.000%
UK Bus Over 15 Year Gilts	0.36%	0.019%
UK Bus Property	1.03%	0.066%
UK Bus Shariah Global Equity	0.65%	0.015%

5.3. In certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress. This can result in the asset being purchased for a lower price than when the trade was initiated.

Impact of costs and charges

5.4. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations and these are set out in the Appendix.

6. Value for members

6.1. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.

6.2. The annual value for members analysis relating to the scheme year was undertaken by the Trustee's professional advisers, Barnett Waddingham LLP, and the findings were set out in a report dated 19 September 2024. The Trustee considered the draft report and confirmed its value for members assessment at a meeting on 3 October 2024.

6.3. Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by members and whether performance of the services had been effective. Consideration was also made of the costs relative to other options available in the market.

6.4. Various investment-related services for which members do not directly bear the costs are nevertheless inextricably linked to creating the environment under which investment returns are delivered, e.g. strategy, monitoring and the investment governance structure, so these were included in the assessment.

6.5. Other services paid for by the sponsoring employer were excluded but nevertheless deliver value to members, e.g. the services of professional advisers and the operation of the trustee board, with a duty to act in the best interest of members.

6.6. The assessment considered:

6.6.1.1. in relation to investment services: the investment strategy, i.e. the range of investment options available and the design and suitability of the default investment arrangement, the arrangements for monitoring the performance of the investment options and reviewing the investment strategy and the investment governance arrangements in place.

6.6.1.2. in relation to administration services: the general administration arrangements, arrangements in relation to financial transactions and data and record keeping practices

6.6.1.3. in relation to communication services: the design of the communications strategy, the quality of communications issued to members and the degree of support provided to members

6.7. The Trustee concluded that the Plan provided excellent value for members on an Absolute basis and good value on a Relative basis. Therefore, overall it was agreed that the Plan provided good value for members in relation to the quality of services provided for the charges and transactions costs borne by members.

6.8. In reaching this conclusion, the Trustee recognised:

6.8.1. The robust governance processes applied to the Plan by the Trustee with the support of Aegon and the Trustee's professional advisers.

6.8.2. The performance of Aegon as the Plan's administrator, taking into account performance against Service Level of Agreements and its rigorous internal controls which have achieved independent accreditation.

6.8.3. The range and quality of engagement materials provided to members. This includes communications and online services provided by Aegon, stand-alone communications issued by the Trustee and pensions roadshows run by the Company and supported by Aegon.

6.8.4. The Plan's costs and charges were broadly competitive compared to other options in the market, e.g. compared with other schemes of this size and nature and other types of pension scheme available to the Company.

7. Trustee knowledge and understanding

The Trustee Board

7.1. The First Bus Retirement Savings Plan Trustee Limited, the Trustee, is a trustee company which was incorporated in 2023 and was appointed Trustee of the Plan. Eight Trustee Directors, a mix of member-nominated and company-appointed directors were appointed to the Trustee and remained in place at the end of the Plan year.

7.2. In order to provide continuity of governance upon creation of the Plan, Richard Soper and Martin Carroll were appointed the Co-Chairs of the Trustee. Martin Carroll was Chair of the DC Committee which oversaw the governance of the DC arrangements within the First UK Bus Pension Scheme and was also joint Chair of the Scheme Trustee alongside Richard Soper, who was also appointed a Trustee Director of the Plan.

Trustee knowledge and understanding requirements

7.3. Trustee Directors are required to be conversant with a scheme's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.

Approach

7.4. The Trustee Directors aim to remain conversant with the Plan's trust deed and rules as well as all other Plan documents such as the Statement of Investment Principles, the Risk Register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Plan, as well as specific activities over the Plan year and access to professional advice.

7.5. The Trustee maintains a training log and consults with its professional advisers to identify any Trustee or individual Trustee Director training needs with a view to upcoming agenda items. The training needs are reviewed regularly by the Trustee to ensure they are relevant and DC focussed. Training is reviewed and logged at each quarterly Trustee meeting.

7.6. On an ad-hoc basis, the Trustee Directors will take part in a Trustee Effectiveness Review run by the Trustee Chairs.

7.7. Each Trustee Director in place during the Plan year has now completed all modules of the Pensions Regulator's Trustee Toolkit programme. Newly appointed Trustee Directors are expected to complete the Trustee Toolkit within six months of appointment.

7.8. Trustee Directors supplement the Plan-specific training provided at Trustee meetings with activities such as attending seminars and conferences and reading pensions-related articles.

7.9. Additionally, the Plan has in place a structured induction process for new Trustee Directors, which was followed by all new Trustee Directors following their appointment during the year. Training is carried out by the Trustee's advisers and there is a Trustee Induction Policy which sets out what is required of the Trustee Director.

7.10. The trustee directors consult with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the trustee directors on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Scheme's documents, attending trustee meetings and often in the delivery of training at these meetings.

Activities over the reporting period

7.11. The focus of the Trustee over the period covered by this statement has been maintaining standards and continuity of governance following the establishment of the Plan while overseeing the induction of several new trustee directors and holding extensive training activities to introduce the new directors to all aspects of Plan governance.

7.12. In connection with the induction of the new trustee directors, the Trustee has undertaken two major training sessions in November and December 2023 run by its professional advisers. The first session was led by Stephenson Harwood, the Trustee's legal advisers and including training on duties of trusteeship, the operation of a DC pension scheme, the Plan's rules and articles, and matters of pension and trust legislation. The second session was run by Barnett Waddingham LLP, the Trustee's investment and pension governance advisers which covered how the Plan fits in the current occupational DC pension landscape, matters relevant to setting an effective investment strategy in a DC scheme, innovations in the at-retirement market and understanding membership demographics and needs through data analysis.

7.13. The Trustee also receives updates on the market landscape and regulatory changes relevant to DC workplace pension schemes on a quarterly basis from their advisers and Aegon provide regular updates on developments to the services they provide to the Trustee and members.

7.14. Several Trustee Directors attended external seminars and conferences run throughout the year.

7.15. The Trustee considers that its training is consistent with TPR's Trustee Knowledge and Understanding requirements and provides a mixture of generic and bespoke training sessions. This, together with access to professional advisers, ensures that the Trustee has sufficient knowledge and understanding in of the relevant principles relating to the funding and investment of occupational schemes as well as the law relating to pensions and trusts.

7.16. A number of activities were undertaken in connection with the establishment of the Plan. This included the consideration and implementation by the Trustee of a set of Trust Deed & Rules, Articles of Association, Statement of Investment Principles and Payment Schedule, along with service agreements for all the appointed advisers and service providers.

7.17. Since the Plan's establishment, the Trustee Directors have also focused on adopting a number of policies and procedures to ensure that an Effective System of Governance is in place in line with requirements of the General Code of Practice recently published by the Pensions Regulator. These have been consolidated into a 'Governance Manual' which has been approved by the Trustee. A business plan and a risk register have also been adopted with a regular review cycle established.

Assessment

7.18. The Trustee considers that the combined knowledge of the Trustee Directors, together with access to professional advice, enables it to properly exercise its Trustee functions in the following ways:

7.18.1. The Trustee Directors are able to challenge and question advisers, service providers and other parties effectively

7.18.2. Trustee decisions are made in accordance with the Plan rules and in line with trust law duties

7.18.3. The Trustee Directors' decisions are not compromised by such things as conflicts or hospitality arrangements

Original version signed by the Co-Chairs on 31 October 2024

....	....
Martin Carroll	Richard Soper
Co - Chair	Co - Chair

For and on behalf of the Trustee of the First Bus Retirement Savings Plan

Date

Appendix – Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, Aegon has produced illustrations on behalf of the Trustee in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

A1.2. The membership of the Plan and the investment options offered were analysed in determining the parameters to be used.

A1.3. Pot size: pot sizes of £1,000, £4,500 and £13,500 have been used; these represent the 25th percentile, median and the 75th percentile of pot values (rounded to the nearest £500) as at 5 April 2024.

A1.4. DC members: illustrations have been provided for members assuming total regular contributions of 8%.

A1.5. Pensionable salary: a starting pensionable salary of £22,000 has been used as this represents the median (rounded to the nearest £1,000) of active members. Pensionable salary is assumed to grow at 3.5% per year.

A1.6. Timeframe: the illustrations are shown over a 52-year time frame as this covers the approximate duration that the youngest member would take to reach retirement age.

A1.7. Investment options: the investment options selected for the illustrations are each default strategy, the highest charged fund and the lowest charged fund.

Investment option	Rationale for inclusion	Assumed return above inflation*	TER	Transaction cost
Aegon BlackRock LifePath Flexi Funds	Default strategy	-1.30% to 3.00%	0.36%	0.07%
Aegon BlackRock LifePath Capital Funds	'Deemed' default strategy	-1.30% to 3.00%	0.36%	0.07%
UK Bus Cash	'Deemed' default strategy and lowest charged fund	2.43%	0.33%	0.01%
UK Bus Property	Highest charged fund	2.85%	1.02%	0.06%

* Projected growth rates, gross of costs and charges, for each investment option are in line with the 2024 Statutory Money Purchase Illustrations (SMPIs).

** The growth rate used for the LifePath funds varies through time based on the underlying asset mix

Guidance to the illustrations

A1.8. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.9. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.0% per year.

A1.10. Values shown are estimates and not guaranteed.

A1.11. The illustrations are presented in two different ways:

A1.11.1. For the default, a target date strategy, the illustrations should be read based on the number of years from the age of 16 until the member reaches their retirement age aged 68. This is because the underlying funds used and therefore the costs and charges change over time and this is reflected in the illustrations.

A1.11.2. For the self-select funds, the illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

Illustrations for a starting fund value of £1,000

A1.12. Note on how to read this table: If an active member aged 16 had £1,000 invested in the LifePath Flexi Fund, when they came to retire in 52 years (at age 68), the savings pot could grow to £218,387.17 if no charges are applied but to £194,570.83 with charges applied.

	Lifepath Flexi (Default Investment Option)		Lifepath Capital (Default Investment Option)		UK Bus Cash		UK Bus Property	
Years	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	2784.08	2775.57	2782.19	2773.69	2788.85	2782.11	2796.61	2775.19
3	6533.38	6483.49	6516.80	6467.04	6569.80	6530.04	6615.82	6489.46
5	10534.54	10408.14	10487.44	10361.72	10634.85	10533.58	10752.66	10430.70
10	21725.09	21231.78	21522.03	21034.49	22150.34	21749.29	22622.70	21346.66
15	34789.31	33631.07	34293.92	33156.62	35827.46	34872.02	36966.92	33923.92
20	49970.43	47782.27	49014.11	46879.44	51985.22	50153.55	54197.15	48357.08
25	67540.11	63879.32	65916.55	62368.49	70985.42	67875.66	74788.38	64861.15
30	87801.58	82135.43	85260.56	79804.65	93238.27	88353.42	99288.11	83673.56
35	111093.14	102784.91	107333.35	99385.57	119208.47	111939.07	128327.06	105056.37
40	137791.96	126085.18	132452.93	121327.16	149422.22	139026.01	162631.39	129298.67
45	168318.38	152318.88	160971.19	145865.14	184475.05	170053.55	203036.76	156719.24
50	203140.60	181796.22	193277.36	173256.74	225040.59	205511.90	250504.37	187669.40
52	218387.17	194570.53	207355.37	185074.44	242977.76	221056.32	271711.08	201123.18

Illustrations for a starting fund value of £4,500

A1.13. Note on how to read this table: If an active member aged 16 had £4,500 invested in the LifePath Flexi Fund, when they came to retire in 52 years (at age 68), the savings pot could grow to £229,239.29 if no charges are applied but to £203,248.25 with charges applied.

	Lifepath Flexi (Default Investment Option)		Lifepath Capital (Default Investment Option)		UK Bus Cash		UK Bus Property	
Years	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	6361.08	6337.23	6359.19	6335.35	6369.35	6350.45	6391.11	6331.08
3	10269.50	10171.72	10252.92	10155.27	10316.90	10239.11	10407.04	10159.82
5	14436.85	14227.45	14389.75	14181.03	14556.30	14388.92	14751.37	14219.20
10	26075.97	25399.53	25872.91	25202.24	26543.97	25996.05	27191.19	25447.46
15	39640.31	38179.05	39144.92	37704.60	40750.15	39549.94	42186.37	38362.74
20	55379.04	52745.18	54422.72	51842.35	57500.67	55306.41	60160.32	53161.79
25	73570.43	69295.01	71946.87	67784.18	77165.00	73551.66	81601.23	70061.91
30	94525.07	88045.20	91984.05	85714.42	100161.96	94605.69	107071.73	89303.02
35	118589.48	109233.84	114829.69	105834.50	126965.85	118826.11	137219.76	111149.86
40	146149.99	133122.46	140810.96	128364.44	158113.69	146612.27	172791.21	135894.45
45	177637.15	159998.18	170289.96	153544.44	194213.09	178410.02	214644.24	163858.71
50	213530.54	190176.12	203667.30	181636.64	235951.22	214716.77	263765.79	195397.38
52	229239.29	203248.25	218207.49	193752.16	254396.05	230624.20	285698.29	209099.93

Illustrations for a starting fund value of £13,500

A1.14. Note on how to read this table: If an active member aged 16 had £13,500 invested in the LifePath Flexi Fund, when they came to retire in 52 years (at age 68), the savings pot could grow to £257,144.74 if no charges are applied but to £225,562.40 with charges applied.

	Lifepath Flexi (Default Investment Option)		Lifepath Capital (Default Investment Option)		UK Bus Cash		UK Bus Property	
Years	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	15559.08	15495.76	15557.19	15493.88	15576.35	15526.20	15634.11	15474.79
3	19876.67	19655.75	19860.09	19639.30	19952.29	19776.72	20155.90	19597.87
5	24471.38	24048.54	24424.28	24002.12	24640.02	24302.66	25033.78	23961.07
10	37263.94	36116.62	37060.88	35919.33	37841.90	36916.30	38938.73	35992.35
15	52114.32	49873.88	51618.93	49399.43	53408.50	51578.88	55607.81	49776.85
20	69286.91	65506.95	68330.59	64604.12	71683.25	68556.61	75494.17	65516.76
25	89076.97	83221.06	87453.41	81710.23	93055.35	88147.11	99120.00	83435.30
30	111814.05	103241.75	109273.03	100910.97	117965.71	110682.96	127086.74	103778.77
35	137865.79	125816.81	134106.00	122417.47	146913.40	136535.65	160086.70	126818.85
40	167642.06	151218.32	162303.03	146460.30	180463.19	166119.80	198916.45	152855.03
45	201599.69	179744.96	194252.50	173291.22	219253.76	199898.08	244492.05	182217.35
50	240247.51	211724.44	230384.27	203184.96	264007.12	238386.44	297866.60	215269.32
52	257144.74	225562.40	246112.94	216066.31	283757.36	255227.32	321665.40	229611.56

The First Bus Retirement Savings Plan

Statement of Investment Principles

Barnett Waddingham LLP

1 January 2024

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee and relates to the defined contribution (DC) benefits provided through the First Bus Retirement Savings Plan ("the Plan"). This statement sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- the Occupational Pension Schemes (Administration, Investment, Charges and Governance) and Pensions Dashboards (Amendment) Regulations 2023.

1.2. In preparing this statement the Trustee has consulted First Bus (South) Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5. The investment powers of the Trustee are set out in Clause 9.3 of the Definitive Trust Deed & Rules, dated 25 August 2023. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustee carefully considers its Investment Objectives, shown in Appendix 1, when designing the range of investment options to offer to its members. The Trustee also acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings – and therefore, whilst seeking good member outcomes net of fees, it also considers the level of risk that is appropriate based on the anticipated needs of the membership profile of the Plan.

2.2. The Trustee's policy is to offer a range of "off-the-shelf" governed investment arrangements plus a core range of investment funds suitable for the Plan's membership profile into which members can choose to invest their contributions and those contributions made by the employer. Details of these are given in the Appendix. In doing so, the Trustee considers the advice of their professional advisers, whom they consider to be suitably qualified and experienced for this role.

2.3. The day-to-day management of the Plan's assets is delegated to one or more investment managers. The Plan's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.4. The Trustee reviews the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustee will also consult the Principal Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee has discussed and agreed key investment objectives in light of an analysis of the Plan's membership profile as well as the constraints the Trustee faces in achieving these objectives. These are set out in the Appendix.

4. Kinds of investments to be held

4.1. The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

5. The balance between different kinds of investments

5.1. The Trustee has made available a range of 'Target Date' investment options. Through these options members' assets are automatically invested in line with a pre-determined strategy that changes at different stages of membership. For example, whilst a member is a long way off accessing their retirement savings, emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term, inflation-protected growth. As the member's target retirement date approaches, their retirement savings are progressively switched to hold a larger proportion of lower risk assets so as to protect the value of the retirement savings relative to the way in which they are expected to be accessed.

5.2. Members can choose to invest in any of the funds detailed in the Appendix or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by the employer, are invested, the Trustee will invest these contributions according to the default investment strategy set out in the Appendix.

5.3. The Trustee considers the merits of both active and passive management when selecting the "off-the-shelf" provider of the default strategy and may select different approaches for different asset classes within the self-select fund range.

5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may need to change as the membership profile evolves.

6. Risks

6.1. Risk in a DC scheme lies with the members themselves. The Trustee has considered a number of risks when designing and providing suitable investment choices to members. A comprehensive list of risks is set out in the Trustee's risk register, however, the main investment risks affecting all members are:

Inflation Risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the arrangements made available through the Plan (see Appendix), the proportion and type of investments change so that in the run up to retirement the investments gradually start to more closely match how the Trustee expects members to access their retirement savings. The Trustee keeps under review the appropriateness of the strategies.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the investment options offered to ensure member outcomes can be maximised. Communications to members will seek to encourage them to regularly review the level of their contributions, but ultimately this is a risk which lies with each member.
Investment manager risk	The Trustee monitors the performance of the Plan's DC provider on a regular basis in addition to having meetings with them from time to time as necessary. The Trustee also monitors the performance of the underlying investment managers on a quarterly basis.
Concentration/ Market risk	Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. Funds are sterling denominated and the investment manager uses their expertise to set levels of currency hedging.
Loss of investment	The risk of loss of investment by the investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).
Environmental, Social, Governance and climate risk	The risk that investment performance, and hence members' outcomes at retirement, could be impacted negatively by not managing the investments with regard to Environmental, Social and Governance ("ESG") factors, including but not limited to climate change. The Trustee therefore seeks to take these factors into account in the selection, retention, realisation and monitoring of the Plan's investment options over the appropriate time horizon applicable to members invested in those options. The Trustee sets out their policy on financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities in Appendix 2.

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustee has selected Aegon as the DC provider to the Plan following a robust selection process and offers a series of 'off-the-shelf' investment strategies that have been designed and implemented by Aegon. The Trustee has delegated the day-to-day management of these off-the-shelf strategies to Aegon, who manage the strategies with reference to a pre-set range of investment parameters and is responsible for the day-to-day selection of investments.

7.3. The Trustee reviews the performance of Aegon, and the underlying investment managers at least quarterly to ensure they perform in line with expectations. This review takes account of the returns achieved and the likely aims and objectives of members.

7.4. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

8. Realisation of investments

8.1. The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee has considered the risk of liquidity as referred to above.

9. Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

9.1. The Trustee has set policies in relation to these matters. These policies are set out in the Appendix 2.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment polices

10.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Plan's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.

10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate (to the extent this is possible through the Aegon arrangement).

10.3. The Trustee carries out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Plan's membership and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis.

10.4. In the event that Aegon or an underlying investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be reviewed and ultimately terminated. Aegon has been informed of this by the Trustee.

10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to Aegon.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.6. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.

10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

10.8. The Trustee expects investment managers to be voting and engaging on behalf of the Plan's holdings and the Plan monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short-term targets.

Method and time horizon for assessing performance

10.9. The Trustee monitors the performance of their investment managers over medium to long term periods that are consistent with the Trustee's investment aims, beliefs and constraints.

10.10. The Plan invests exclusively in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.

10.11. The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.12. The Trustee asks the Plan's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the Plan's Value for Member assessments.

Portfolio turnover costs

10.13. The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

10.14. During the investment manager appointment process, the Trustee may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

Duration of arrangement with asset manager

10.15. For the open-ended pooled funds in which the Plan invests, there are no predetermined terms of agreement with the investment managers.

10.16. The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Monitoring

11.1. **Investment Performance:** The Trustee reviews the performance of each investment option offered through the Plan against the stated performance objective and, in doing this, the Trustee receives a performance monitoring report on a regular basis. This monitoring takes into account both short-term and long-term performance. The investment manager's overall suitability for each mandate will be monitored as frequently as the Trustee considers appropriate in light of both its performance and other prevailing circumstances.

11.2. **Objectives:** The Trustee monitors the suitability of the objectives for the Plan (as detailed in the appendix) and performance (net of fees) against these objectives at least every three years and also when there is any significant change in the investment policy, underlying economic conditions or the profile of the members.

11.3. **Investment Choices:** The Trustee monitors the ongoing appropriateness of the investment choices offered on a periodic basis.

12. Agreement

12.1. This Statement was agreed by the Trustee, and replaces any previous statements. Copies of this Statement and any subsequent amendments will be made available to the Principal Employer, the investment manager, the actuary and the Plan auditor upon request.

Signed:... **Date:**.....................

On behalf of the First Bus Retirement Savings Plan

Appendix 1 Note on investment policy of the Plan in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Trustee's main investment objectives are:

- To generate returns in excess of inflation during the accumulation phase of the strategy whilst managing downside risk. (The accumulation phase invests 100% of members' accounts in a diversified mix of asset classes and this exposure is expected to provide long-term growth in excess of inflation).
- To provide a strategy that reduces investment risk for members as they approach retirement.
- As members approach retirement, the Trustee believes the primary aim should be to provide protection against market falls from the savings built up. (The LifePath funds automatically transition to a mix of asset classes that reflect this belief).
- To provide exposure at retirement to assets that are broadly appropriate for an individual planning to use their savings in the Plan to facilitate drawing down an income in retirement (albeit the facility to do this will be outside of the Plan).
- Seek to achieve good member outcomes net of fees and subject to acceptable levels of risk.
- To offer an appropriate range of investment options so that members can choose the outcome most suitable for them, recognising that members may have different needs and objectives.
- To reduce the risk of the assets failing to meet projected retirement income levels,

The Trustee is responsible for the design of the default investment option and for choosing which investment options to make available to members. Members are responsible for their own choice of investment options (including where the default investment option is selected for them because they have not selected other funds).

The Trustee has made available a range of funds to suit the individual needs of the Plan's members. For example, a range of equity funds is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Bond and cash funds are also offered for those members who are less comfortable with the likely volatility of the equity funds.

Alternatively, the Trustee has made available a lifestyle arrangement, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to protection assets over the years preceding the member's target retirement date so as to protect the purchasing power of the retirement savings.

2. Default option

The Trustee recognises that many members do not consider themselves competent to take investment decisions and have provided a default arrangement to support these members. Their contributions are invested here unless they decide on alternative funds.

The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single investment option that will be suitable for each individual member. However, having analysed the Plan's membership profile, the Trustee decided that the 'flexible' arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested. The aims, objectives and policies relating to the default option are intended to ensure that assets are invested in the best interests of relevant members and their beneficiaries.

The default arrangements covered by this Statement are:

- the BlackRock LifePath Flexi Funds (new default with effect from October 2020);
- the BlackRock LifePath Capital Funds (the default for a cohort of members);
- the UK Bus Cash Fund (created as a deemed default).

Following a review of the Plan's investment arrangements in 2019, the Trustee agreed to change the default arrangement to the BlackRock LifePath Flexi Funds having previously been the BlackRock LifePath Capital Funds. Members already within 10 years of their target retirement date at the point at which the change was implemented, remained in the BlackRock LifePath Capital Funds (so as not to unnecessarily increase the investment risk for those members most likely to be taking a cash lump sum on retirement).

The UK Bus Cash Fund became a default in March 2020 following the suspension of trading by the UK Bus Property Fund. This arose as part of the market disruption caused by the Covid-19 outbreak when the Property fund's independent valuer was no longer able to provide accurate and reliable valuations of the underlying property holdings.

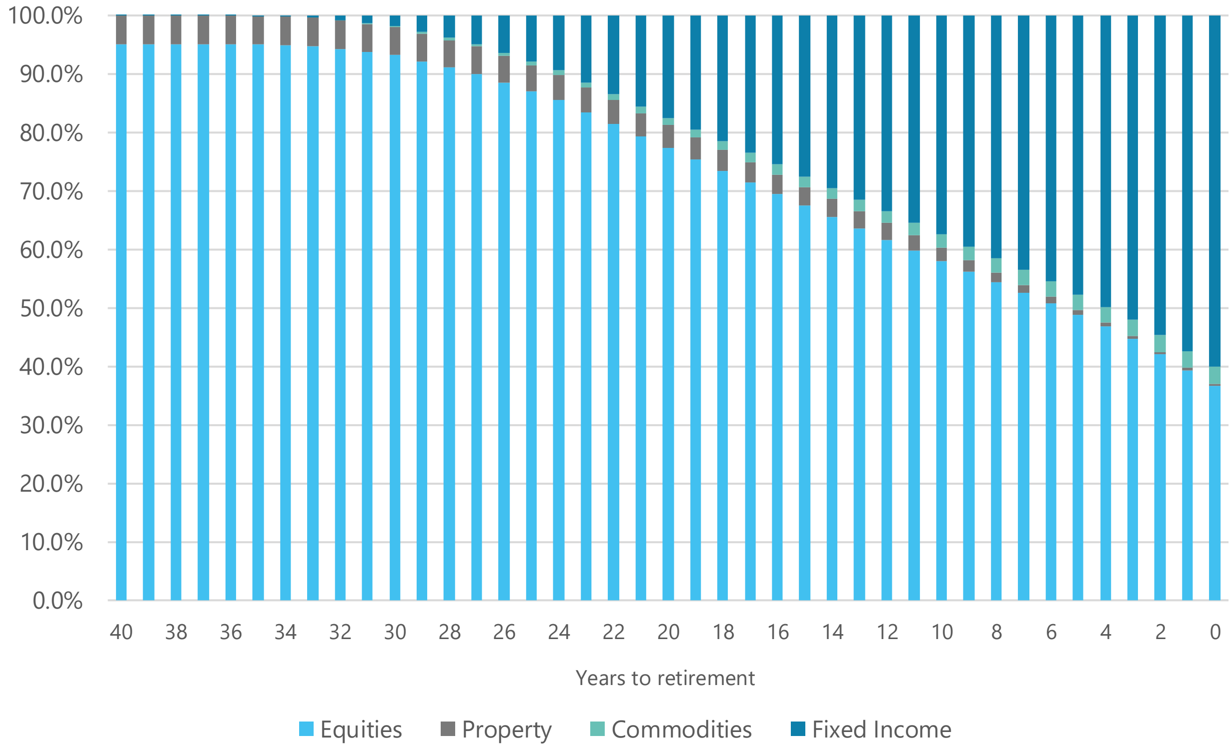
The LifePath funds are a range of target dated funds with a separate fund for each calendar year for when a member retires. The LifePath funds are managed on a day-to-day basis by BlackRock but the Plan accesses the funds via the Aegon platform.

Structure of the LifePath Funds

- When a member is younger, their account is invested in assets that aim for long-term growth, in excess of inflation, which are higher risk in general.
- As the member approaches retirement, their account gradually transitions to a mix of assets that is expected to be lower-risk with lower expected growth.
- The design of LifePath Flexi is designed for members who intend to keep their retirement savings invested and draw down income from it.

- The design of LifePath Capital is designed for members that are typically expected to take their benefits from this Plan as cash in retirement.

The structure of the LifePath Flexi default option is shown in the chart below (source: BlackRock):



At the member's selected retirement date, member savings will be invested, unless specific otherwise, in the BlackRock LifePath Flexi Funds, which is the relevant strategy within the LifePath range for members that plan to draw down income. The portfolio at retirement is invested largely in equities and fixed income assets at retirement.

BlackRock has the ability to change the allocation above to reflect their views on the asset classes at any time.

Suitability of the default arrangements

Suitability of the BlackRock LifePath Flexi Funds

Based on their understanding of the Plan's membership, the Trustee believes that the above objectives and policies reflect members' best interests. The rationale underpinning this belief is as follows:

- An analysis of projected pot sizes at retirement for different member cohorts showed there was no one benefit choice that the Trustee expects will be suitable for all members. Whilst a significant proportion of the membership is expected to take a cash lump, there is a notable portion for whom drawdown is expected to be the favoured route. The LifePath Flexi Funds are most suitable for this objective.

- The default arrangement is aimed largely at members who do not feel capable of taking investment decisions. Going forward, the Trustee believes that deploying the LifePath Flexi Funds will best cater for these members as investment decisions and risk management within the strategy are delegated.

The Trustee intends to monitor members' decisions and other inputs from time to time to ensure that the default arrangement remains suited to their needs. They will also review the investment choices available to members to ensure that those who regard the default arrangement as unsuited to their needs have suitable alternative investment funds to select from.

Suitability of the BlackRock LifePath Capital Funds

The change in default option from an investment strategy targeting a cash lump sum at retirement to an investment strategy targeting drawdown at retirement means that a member would have greater exposure to growth-seeking assets for longer. The Trustee decided this increased level of risk was not appropriate for those members wanting to access their savings by taking a cash lump sum and close to retirement. The Trustee concluded these members' assets should continue to move into investments that are considered to be less volatile and less likely to fall in value. Therefore, the BlackRock LifePath Capital Funds was deemed suitable for this cohort of members.

Suitability of the BlackRock LifePath Cash Fund

This was an appropriate default for those members impacted by the suspension of the UK Bus Property fund because the value of their contributions was expected to be preserved until the suspension was lifted. The UK Bus Property fund is also suitable for self-select members looking for a low risk investment option.

Policies in relation to the default arrangement

- The default arrangement manages investment risks in the accumulation phase through a diversified allocation across a range of asset classes, markets and countries. Section 6 of the SIP provides further information on the Trustee's risk policies in relation to the default arrangement.
- In designing the default arrangement, the Trustee has considered the trade-off between expected risk and return. This policy is reviewed regularly to ensure that the design remains appropriate for members and reflects developments in the market and with BlackRock's proposition.
- The Trustee has also taken into account the needs of members with regards to the security, quality, liquidity and profitability of a member's portfolio as a whole.
- If members wish to, they can opt to choose their own investment options at any time from a range of self-select fund options that have been decided by the Trustee, having taken professional advice.
- The Trustee monitors performance of the default relative to objectives.
- Assets in the default arrangement are invested in daily traded pooled funds which hold highly liquid assets. The LifePath Fund Range is accessed via an investment platform provided by Aegon.
- The selection, retention and realisation of assets within the default are delegated to BlackRock and will reflect the arrangement of the individual underlying funds.

The statements made in the main body of this Statement of Investment Principles also apply to the default arrangement.

The Trustee has also set out Environmental, Social and Governance ("ESG") and stewardship policies. These are set out in Appendix 2.

Policy on illiquid investments

The Trustee is required by regulations to ensure that it has considered all investment opportunities available to achieve best value for the Plan's members. This includes investment in illiquid assets such as private equity, infrastructure and real estate. The default arrangement for the Plan does not currently invest in these assets but does hold an allocation to a Real Estate Investment Trust (REIT).

The Trustee appreciates that illiquid assets are expected to bring certain benefits to members including diversification, return enhancement and inflation protection. However, given their reduced liquidity, higher complexity and higher fees, the Trustee has delegated decisions around allocation to illiquid assets to Aegon. The Trustee acknowledges that Aegon are signatories to the Mansion House Compact where the aim is to allocate a minimum of 5% of the default investment strategy to unlisted equities by 2030.

3. Alternative investment options

Self-select fund range

The Trustee operates some "white-labelled" alternative self-select funds for member to investment. These funds are provided by Aegon, but invest in underlying funds managed by other asset managers. A list of these fund options, the funds underlying the white-label and their respective benchmarks can be found in the table below.

Fund	Underlying Fund	Benchmark Index/Investment objective
UK Bus Global Equity	Aegon BlackRock Aquila Life 40/60 Global Equity (BLK) Fund	40% FTSE All Share Index/60% All World Developed ex UK Index
UK Bus Shariah Global Equity	Aegon HSBC Islamic Global Equity Index (BLK) Fund	Dow Jones Islamic Titan Index
UK Bus EM Equity	Aegon Dimensional Emerging Markets (BLK) Fund	MSCI Emerging Markets Index (net Total Return)
UK Bus ESG Equity	Aegon BlackRock ACS World ESG Equity Tracker	MSCI World ESG Focus Low Carbon Screened NET Index
UK Bus Diversified Growth	Aegon BlackRock DC Diversified Growth (BLK) Fund	Bank of England official Bank Rate + 3.5% p.a.
UK Bus Property	Aegon Property (BLK) Fund	IPD All Balanced Property Funds Index
UK Bus Corporate Bonds	Aegon Standard Life Corporate Bond (BLK) Fund	iBoxx-Sterling Non-Gilts Stock Index
UK Bus Index-Linked Gilts	Aegon BlackRock Over 5 Year Index-Linked Gilt Index (BLK) Fund	FTSE UK Gilts Index-Linked Over 5 Years Index
UK Bus Fixed Interest Gilts	Aegon BlackRock Over 15 Year Gilt Index (BLK) Fund	FTSE UK Gilts Over 15 Years Index
UK Bus Cash	Aegon BlackRock Cash (BLK) Fund	SONIA

The performance of the investment managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

Alternative target-date fund range

Acknowledging the challenge of identifying the best solution for different groups of members, and in focusing on its key objective, the Trustee has focused on outcome-orientated investment options. Alongside the default investment option, the Trustee has arranged for Aegon to provide two additional investment options:

- Annuity focused Target Date Funds
- Cash Lump Sum focused Target Date Funds.

Both of these investment options use the same growth phase as the Default Target Date Fund and then tailor the strategy towards the member's desired outcome over the period to retirement.

The performance of investment options will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

Appendix 2: Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

1. Financially material considerations

The Trustee is cognisant that Plan members have a long investment time horizon, and have considered the risks of ESG factors over the long-term. The Trustee believes that ESG issues, and particularly climate change issues have the potential to be more important for members who are further from retirement, as the financial materiality of such issues will have a greater impact over a longer timeframe.

The Trustee has elected to invest the Plan's assets through pooled funds. The choice of underlying funds is made by the Trustee after taking advice from their investment consultant. The Trustee, and the managers of the underlying funds, takes into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustee takes those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: The Trustee will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Plan's investments.

The Trustee will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustee will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Plan and its investments;
- As part of ongoing monitoring of the Plan's investment managers, the Trustee will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Plan's investment managers take account of ESG issues; and
- Through their investment consultant the Trustee will request that all of the Plan's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

The Trustee held a meeting to consider the financial materiality of environmental, social and governance issues, including climate change (referred together as “ESG issues”), within their default investment strategy and self-select member options. The Trustee views ESG issues within an investment context as financially material (along with the risks set out in section 6), however, the Trustee appreciates that taking ESG into account within an investment strategy and process will yield different returns and/or risks for different asset classes. The Trustee’s views on ESG integration within each asset class is outlined below:

Passive equities – the Trustee accepts that when investing passively in equity index tracker funds, there is little that the manager can do within the investment process selecting stocks. However, the Trustee believes that positive engagement on ESG issues through voting and stewardship of assets can lead to improved risk-adjusted returns. Therefore, the Trustee looks to the passive equity manager to positively engage with companies where there is scope to improve the way ESG issues are taken into account when running the company.

Passive gilts – the Trustee does not believe there is scope for ESG issues to improve risk-adjusted returns within the Plan’s passive gilt holdings.

Multi-asset fund – the Trustee believes that ESG issues will be financially material to the risk-adjusted returns achieved by the Plan’s multi-asset fund manager. The investment process for the multi-asset fund manager should take ESG into account in the selection, retention and realisation of investments. Further to this, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

The Trustee is also cognisant of the different investment timeframes that members will have. Further to this, the Trustee believes that ESG issues, and particularly climate change issues will be more important for members who are further from retirement, as the financial materiality of such issues will have a greater impact over a longer timeframe. Therefore, within the Plan’s default investment strategy, the Trustee believes there is greater scope for added value during the growth phase.

The Trustee is comfortable that the investment manager is managing its funds with ESG taken into account as far as it is possible for that particular asset class and within applicable guidelines and restrictions.

Before considering any new mandate, the Trustee will expect the manager to be a signatory to the United Nations supported Principles for Responsible Investment (PRI). At the time of writing, the Plan’s investment manager is a PRI signatory.

The Trustee has instructed its investment advisors, Barnett Waddingham, to review how ESG issues are taken into account for each of the Plan’s mandates, and to report back against their beliefs so that this can form part of the Trustee’s implementation report that will be produced annually.

2. Non-financially material considerations

The Trustee does not take account of non-financial matters (such as member ethical views) within the default investment strategy. However, it considers that it is important to ensure that a suitable range of funds are offered for members who wish to express a preference in their pension saving from an ESG perspective. A ESG-focussed global equity fund was therefore added to the self-select fund range.

3. The exercise of voting rights

Stewardship encompasses the exercise of rights (including voting rights) attaching to the Plan's investments, and the engagement by and with the investment manager.

The Trustee has set stewardship priorities in order to concentrate their stewardship efforts in areas that are most relevant to the Plan. The current stewardship priorities are:

1. Climate change: For example, companies should put in place clear plans to achieve Net Zero, including meaningful interim targets ideally with independent verification. Each company's targets should reflect the nature of their business activities, as well as the country and sector in which they operate.

2. Diversity, equity and inclusion: For example, companies should strive to promote the representation and participation of different groups, reflecting academic evidence that diverse teams tend to make better decisions.

The Trustee has communicated these stewardship priorities to Aegon. Managers are expected to be able to evidence their stewardship activity in these areas. The Trustee will also consider alignment with these priorities in the selection, retention, monitoring, and realisation of funds held, alongside other relevant factors. However, the Trustee acknowledges that continued pressure needs to be placed across the industry to improve disclosures. Therefore, to the extent concerns are identified, they will engage with their managers in the first instance, often via their investment consultant.

The Trustee otherwise delegates responsibility for stewardship activities attaching to the Plan's investments to its investment manager. Managers are also expected to exercise voting powers with the objective of preserving and enhancing long-term shareholder value. In addition to the exercise of voting rights, the manager is expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to its investments in order to improve corporate behaviours and governance, improve performance and social and environmental impact and to mitigate financial risks.

The Trustee periodically reviews engagement activity undertaken by its investment manager to ensure that the policies outlined above are being met and may explore these issues with its investment manager as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers.

The Trustee is supportive of the UK Stewardship Code published by the Financial Reporting Council and expects the Plan's investment manager to have corporate governance policies in place which comply with these principles.

4. Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within its investment framework. When delegating investment decision making to its investment manager it provide its investment manager with a benchmark it expects the investment manager to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities (i.e. that they apply to equity, credit and property instruments or holdings). The Trustee also recognises that ESG and climate-related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustee considers it to be a part of its investment manager's role to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Plan or as part of the pooled fund in which the Plan holds units.

The Trustee also considers it to be part of its investment manager's 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 Plan.

Should an investment manager be failing in these respects, this should be captured in the Plan's regular performance monitoring.

The Plan's investment manager is granted full discretion over whether or not to invest in the Principal Employer's business. Through its consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of its policy on ESG and climate related risks, how it intends to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Plan's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects the investment manager to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes it has managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee, investment manager and the investee companies.

In selecting and reviewing its investment manager, where appropriate, the Trustee will consider the investment manager's policies on engagement and how these policies have been implemented.