

The Bus Section of the FirstGroup Pension Scheme ('BSFGPS')/ The First UK Bus Pension Scheme ('FUKBPS') – Annual Implementation Statement

Background

The Department for Work and Pensions ('DWP') requires the trustee of a pension scheme to disclose financially material risks and to consider how these risks are managed. Pension schemes outline their policies in their statement of investment principles ("SIP") and demonstrate adherence to these policies in an implementation report.

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The DWP has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a trustee fiduciary duty.

Implementation Report

This implementation report includes:

- actions the Section has taken to manage financially material risks and implement the key policies in its SIP.
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks.
- the extent to which policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate.
- consideration on voting behaviour.

Statement of Investment Principles ('SIP')

As a result of the Scheme merger that took place on 31 May 2024, there are two SIPs governing the Trustee, which members can source online:

- Bus Section of the FirstGroup Pension Scheme ('BSFGPS'):
- First UK Bus Pension Scheme ('FUKBPS') :

Details of changes to the SIPs, made over the reporting year, are set out within this report.

Implementation Statement

This report sets out how, and the extent to which, the Statement of Investment Principles ('SIP'), produced by The FirstGroup Pension Scheme Trustee Limited ("the Trustee"), has been followed during the year to 5 April 2025.

Signed

Position

Date

Key Actions Undertaken over the Section/ Scheme's Reporting Year

The First UK Bus Pension Scheme (FUKBPS) SIP

As a result of the 31 May 2024 Scheme merger, the FUKBPS SIP was updated during the year ending 5 April 2025. This revision reflects the transition to a smaller, simpler asset portfolio, following the transfer of the majority of the Scheme's assets to the Bus Section of the FirstGroup Pension Scheme (BSFGPS).

Remaining assets in the FUKBPS are expected to be fully novated to the Bus Section after the wind-up of the Scheme.

Note: All subsequent references to the SIP in this document pertain to the version prepared for the BSFGPS (Bus Section of the FirstGroup Pension Scheme).

The FirstGroup Pension Scheme

Following the merger, the FirstGroup Pension Scheme was established, comprising two distinct Sections:

- the Bus Section (with Isio as Investment Adviser). SIP details are provided further below.
- the Group Section (with LCP as Investment Adviser). A separate SIP was prepared for this Section.

The Bus Section SIP

The SIP for the Bus Section retains the governance framework of the FUKBPS Trust Deed, ensuring continuity post-merger. It aligns with the FUKBPS's pre-merger structure, reflecting the Trustee's commitment to maintaining stability during the transition.

Strategic Asset Allocation

Policy	Location in SIP	How the policy has been met over the reporting year
Kinds of investments to be held	Section 5.4	<p>A high-level asset allocation, being the split between growth assets (approximately 20% within private equity and real assets), cashflow generating assets (approximately 40% in bonds, asset backed securities, secured finance, private debt and buy and maintain investment grade credit) and cash and liability matching instruments (approximately 40%) has been set by the Trustee for the Section, having consulted the Company.</p> <p>The Trustee reviews the growth / matching split periodically and following the completion of each actuarial valuation in setting an appropriate level of risk and return within the portfolio. The assets held mean that the Trustee has acted in line with the policy in this area.</p> <p>The actual allocation will vary from these proportions over time from market movements and cashflows (for example those into / out of illiquid assets like private equity). The Trustee keeps this under review, consulting the Company on strategic changes and taking advice from their Investment Adviser.</p>
The balance between different kinds of investments	Sections 5.3 & 5.4	<p>The Trustee receives quarterly investment performance reports, which monitor the risk and return of investments within the Section. This, along with any review work on the Section's investment strategy, enables the Trustee to evaluate the balance between different kinds of investments.</p>
Risks, including the ways in which risks are to be measured and managed	Section 5.3	<p>As detailed in the SIP for the Section, the Trustee regards 'risk' as the likelihood of failing to achieve the objectives set out in section 5.1 of the SIP for the Section. The Trustee has, on the advice of the Investment Adviser, taken several measures which are set out in the SIP to measure and manage investment risks, and have also provided further detail on their method of monitoring and managing investment risks.</p> <p>The Trustee also maintains a risk register. This includes details on how investment and operational risks, amongst other risks, are measured and managed.</p> <p>The Trustee's willingness to take on investment risk is dependent on the continuing financial strength of the Company. The strength of the Company and its perceived commitment to the Section is monitored by the Trustee periodically and the Trustee will seek to reduce investment risk if either of these deteriorates.</p>

		<p>The degree of investment risk taken will also depend on the Section's funding status and liability profile. To enable the Trustee to monitor and review both of these features, the Trustee has access to a daily funding level estimation tool and receives formal funding updates on a quarterly basis (both via the Scheme Actuary).</p> <p>The primary way in which the Trustee monitors the level of investment risk present at the total Section level is through 3-year 95% Value at Risk ('VaR') on a Technical Provisions basis as calculated by the Investment Adviser at each quarter end. This VaR metric measures the amount by which the deficit could be greater than anticipated in a given number of scenarios (i.e. 95% VaR measures the worst 5th percentile of scenarios) over a given timeframe (i.e. the Trustee monitors VaR over a 3-year period).</p> <p>Over the period, the Trustee has made the following investment strategy changes with the objective of decreasing the risks relating to growth assets:</p> <ul style="list-style-type: none"> • In Q2 2024, the Macquarie Infrastructure Private Debt Fund was fully redeemed. These proceeds were directed to the Sterling Liquidity Fund held with LGIM (this mandate forms part of the remaining assets held in FUKBPS).
Expected return on investments	Section 5.1	<p>In setting the investment strategy, the Trustee makes assumptions about how the risk and return characteristics of the chosen asset classes interact, both independently and relative to one another. The Trustee regards the appropriate investment strategy as one which seeks to deliver the level of expected return above gilts to meet the funding objective in the most efficient (i.e. least risk) manner.</p> <p>The risk of managers underperforming versus their stated investment objectives (and hence the Trustee's expectations) is managed at the total Section level by diversifying the portfolio across a number of different investment managers. Underperforming managers are questioned by the Trustee on the reasons for their underperformance when they are invited to Investment Committee meetings. Over the period, the Investment Committee met with the following managers: Stafford, WTW and BlackRock.</p> <p>Whilst the Trustee is a long-term investor, they also monitor short term performance and may act if they lose conviction in a manager to deliver on their stated objectives on a forward-looking basis.</p>

Investment Mandates

Policy	Location in SIP	How the policy has been met over the reporting year
Securing compliance with the legal requirements about choosing investments	Sections 1.1 & 1.2 Section 3.2	The Trustee's Investment Adviser is qualified to give advice in line with Section 36 (6) of the Pensions Act 1995. All such advice shall be in writing or confirmed in writing.
Realisation of investments	Section 6.8	<p>The Trustee instructed all investment managers with the capability to distribute income regularly to pay this income to the Trustee's cash holdings. This will, in part, meet member benefit payments and other expenses as they fall due. The source of any additional cash required will be determined at the time in consultation with the Investment Consultant.</p> <p>The Trustee also measures the level of liquidity in the Section's portfolio when appropriate, acknowledging that some of the Section's portfolio is invested in illiquid asset classes (such as private equity, real estate and infrastructure debt, property, secured finance, diversified private debt, and timberland).</p> <p>The Trustee also measures the level of liquidity within the LDI portfolio on a quarterly basis, and more frequently during periods of market stress, to ensure sufficient collateral is available to support the leveraged positions held.</p> <p>The Trustee takes advice from the Investment Adviser as and when necessary, in relation to the level of liquidity within the Section asset portfolio and the LDI portfolio in particular.</p>

Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	Section 4.5	<p>The Trustee considers financially material considerations in the selection, retention, and realisation of investments. Consideration of such factors, including environmental, social and governance factors and climate change, is delegated to the investment managers and the Trustee acknowledges responsibility for the voting and engagement policies that are implemented on their behalf. The Trustee also maintains an ESG policy document, separate to the SIP.</p> <p>At scheme year end, the Trustee had not set any investment restrictions on the appointed investment managers in relation to particular products or activities.</p> <p>The Trustee is also increasingly aware of how ESG issues (including climate change) are integrated within the investment processes adopted by its investment managers and any potential new investment managers. The Trustee also monitors the Investment Adviser's ESG ratings for the Section's managers on an annual basis and has its own criteria for evaluating the integration of ESG issues by its managers.</p> <p>Investment manager ESG integration is considered by the Trustee on a forward-looking basis when appointing new managers and the Trustee is looking to improve the overall level of ESG integration across the Section's assets.</p> <p>The Trustee has, in previous years, undertaken ESG training from its Investment Adviser, considered investing in sustainable equity funds and considered becoming a signatory to the UN Principles for Responsible Investment.</p>
The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	Section 4.5	<p>Non-financial matters, including members' ethical views, are not currently considered by the Trustee in the selection, retention and realisation of investments. However, the Trustee has considered communicating progress on the integration of ESG within investment processes to members through the Scheme's website and newsletters. The Trustee may also consider obtaining feedback from members in the future regarding the integration of ESG and climate change considerations.</p> <p>As such, over the year, member views on non-financial matters, including their ethical views, were not explicitly considered in the selection, retention and realisation of investments.</p>

Monitoring the Investment Managers

Policy	Location in SIP	How the policy has been met over the reporting year
Incentivising investment managers to align their investment strategies and decisions with the Trustee's policies, to make decisions based on assessments about medium to long-term financial and non- financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.	Section 6.2	<p>The Trustee discussed its continued appointment of the investment managers and are happy that the contractual arrangements in place continue to incentivise the managers to make decisions based on medium to long-term financial and non-financial performance.</p> <p>As the Trustee continues to review its investment strategy, it will review the existing manager appointments and mandate objectives to ensure each manager's target performance is consistent with the long-term target of the Section.</p>
Evaluation of the investment manager's performance and the remuneration for asset management services	Section 6.3	<p>The Trustee's policy on performance evaluation and investment manager remuneration was added during a previous scheme year to reflect the new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2018.</p> <p>To evaluate performance in respect of the investment managers, the Trustee receives and discusses investment performance reports on a quarterly basis. The reports present performance information and commentary in respect of the Section's funding level and investments. Such reports have information covering fund performance for the previous 3 months, 1 year and 3 years for the investment managers and total Section. The Trustee reviews the absolute performance, the relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis.</p>
Monitoring portfolio turnover costs	Section 6.5	<p>The Trustee's policy on monitoring portfolio turnover costs reflects the new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2018.</p> <p>The Trustee does not currently actively monitor the portfolio turnover costs of the Section assets. In the quarterly</p>

		<p>performance report, Investment manager performance is generally reported net of manager fees and transaction costs, and therefore managers are incentivised in this way to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.</p> <p>The IC have continued to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee or IC may ask managers to report on portfolio turnover costs explicitly.</p>
The duration of the arrangement with the asset manager	Section 6.6	<p>Details of the appointments are contained in the Investment Management Agreements between the investment managers and the Trustee.</p> <p>In the event that an investment manager ceases to meet the IC's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated.</p>

ESG, Stewardship, Climate Change and Voting Disclosures

Policy	Location in SIP	How the policy has been met over the reporting year
Undertaking engagement activities in respect of the investments.	Section 4.6	<p>The Trustee required its investment managers to engage with the investee companies on its behalf. Investment managers are expected to provide reporting on a regular basis, at least annually, including stewardship data. Each year the Trustee receives an “impact assessment report” from the investment adviser detailing information on the managers’ approach to integrating ESG factors assessed against the Trustee’s ESG policy. Further, the report provides an ESG score and Climate score for each manager and, where managers fall short, identifies actions for the investment adviser to engage with the investment managers on.</p> <p>Below is the output for each Fund assessed in the impact assessment and where relevant either an engagement example or high-level data reflecting how the Section’s investment managers have engaged with companies/issuers they were invested in.</p> <p>LGIM LDI</p> <p>Summary</p> <p>LGIM has a well-defined firm-wide ESG policy and net zero commitment. They collaborate with a range of industry participants to monitor and influence a broad range of ESG topics.</p> <p>LGIM integrates ESG factors into their counterparty review process for LDI funds through their Active ESG tool & by engaging with counterparties.</p> <p>Actions for Manager</p> <p>Investment Approach – LGIM should introduce a formal ESG training programme.</p> <p>Investment Approach –Expand their approach to evaluate green gilts to generate positive external impacts within the Fund.</p> <p>Collaboration - Develop connections with leading academic institutions to develop robust risk management frameworks.</p> <p>LGIM Buy & Maintain Credit</p> <p>Summary</p> <p>The Buy and Maintain Fund has specific forward-looking ESG and climate objectives including a fund level decarbonisation target. When compared to peers in the Buy & Maintain space, LGIM score well as there is strong evidence of integration of sustainability in the investment process.</p> <p>Actions for Manager</p> <p>No action required as the Trustee disinvested in Q1 2025 as part of the decision to move from a QIAIF to a segregated LDI</p>

		<p>mandate.</p> <p>Engagement</p> <p>Due to the QIAIF structure that existed until 31 March 2025, the LDI and B&M Credit holdings sit within one bespoke fund structure. Combined, there were 10 engagements over the year, with 5 distinct companies. The top 5 engagement topics were climate impact pledge, capital management, human rights, supply chain and corporate strategy.</p> <p>LGIM Sterling Liquidity Fund</p> <p>Summary</p> <p>The LGIM Sterling Liquidity Fund captures climate and social risks as part of their investment process through their Climate Impact Pledge and Future world Protection List. Despite this, the Fund lags behind it's peers which have stricter temperature alignment goals.</p> <p>Actions for Manager</p> <p>Investment Approach – Introduce a formal ESG training programme.</p> <p>Reporting – Increase GHG reporting coverage to above 70%.</p> <p>Climate - Reduce temperature alignment to below 2 degrees.</p> <p>Engagement</p> <p>Over the year ending 31 March 2025, there were the 18 engagements, with 12 distinct companies. The top 2 engagement topics were climate impact pledge and capital management.</p> <p>LGIM Absolute Return Bond Fund</p> <p>Summary</p> <p>The Fund has a clear, forward-looking, and quantifiable ESG objective including a decarbonisation target. Additionally, the Fund is aligned with the Net Zero Investment Framework's guidance on decarbonisation.</p> <p>Actions for Manager</p> <p>Stewardship – Engage with a great proportion of issuers in the Fund on an annual basis.</p> <p>Reporting – LGIM should utilise third parties to independently verify ESG data.</p> <p>Engagement</p> <p>LGIM had a total of 355 engagements, with 179 distinct companies. The top 5 engagement topics were climate impact pledge, human rights, corporate strategy, climate change and remuneration.</p> <p>AXA Global Secured Assets II Fund</p>
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		<p>Summary</p> <p>AXA has established formal stewardship priorities focusing on climate, nature and social themes. The manager has implemented a mandatory ESG training programme for analysts and portfolio management teams. The Fund has no specific ESG objectives, however, AXA aims to incorporate firm-level priorities in the management of the Fund.</p> <p>Actions for Manager</p> <p>Stewardship – AXA should offer examples and case studies that illustrate how engagement strategies have effectively addressed and mitigated ESG risks.</p> <p>Stewardship - Centralise ESG engagement efforts to maximise impact.</p> <p>Reporting - Improve Net Zero commitment coverage of assets.</p> <p>Reporting – Incorporate ESG factors, emissions data, and engagement metrics into quarterly fund-level reporting.</p> <p>Collaboration - Partner with academic institutions to develop robust risk management frameworks</p> <p>Engagement</p> <p>During the year, AXA engaged with various groups on climate change mitigation and natural resource management topics.</p> <p>As an example, AXA met with Sound Point to push for an enhanced investment policy that is in line with AXA’s sector exclusion policy. This engagement resulted in the company aligning its investment policy with AXA’s sector exclusion policy.</p> <p>BlackRock Diversified Private Debt Fund</p> <p>Summary</p> <p>BlackRock has a firm-wide ESG policy and can report on firm-level ESG metrics and engagement. They have established explicit stewardship priorities to guide engagement with investee companies, overseen by a central team, and also collaborate with initiatives and institutions on ESG risks. Whilst the Fund does not have a specific impact focus, due to the nature of the private debt asset classes the Fund invests in, where there is a lack of fund-specific policies and priorities in place, it does aim to mitigate ESG risks. Despite this, BlackRock has made improvements over the year, particularly relating to reporting, where the ESG scorecard has been updated to capture additional climate risks and to track ESG ratchets.</p> <p>Actions for Manager</p> <p>Investment Approach - Introduce formal firm-level stewardship objectives within the ESG policy.</p> <p>Investment Approach - Commit to a Net Zero target, with meaningful interim targets.</p> <p>Stewardship – Provide examples and evidence of engagement initiatives undertaken to mitigate ESG-related risks.</p> <p>Reporting – Enhance fund-level coverage of GHG emissions for inclusion in quarterly ESG reporting.</p> <p>Reporting - Produce fund-level sustainability disclosures.</p>
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		<p>Collaboration - Reconsider the firm’s position regarding CA100+ and NZAMI membership.</p> <p>Engagement</p> <p>BlackRock engaged with Evondos to support the Company’s sustainability agenda and progress, including understanding it’s decarbonisation opportunities and net zero target setting approaches. This included BlackRock initiating a 6-week net zero target setting engagement programme which uncovered that the largest emission reduction opportunity was in switching from new aluminium, plastic and rubber to recycled versions of the materials. From this, the Company formed a target setting working group and is investigating material sourcing. Additionally, following BlackRock’s engagement, Evondos now successfully provides annual carbon emissions reporting.</p> <p>WTW Private Equity</p> <p>Summary</p> <p>WTW has identified ESG objectives as well as key sustainability goals at a firm level. Additionally, WTW is committed to achieving net zero emissions across ‘in-scope solutions’ by 2050. At a Fund level WTW has not implemented explicit climate, social or nature objectives. The Fund’s ability to pursue these ESG goals is somewhat limited throughout the investment process as the Fund is fully committed. Furthermore, the availability of data is somewhat restricted, resulting in poor ESG scoring. Despite this, WTW uses an ESG scorecard which they aim to incorporate across all stages of the investment process.</p> <p>Actions for Manager</p> <p>Risk Management - Consider explicitly separating social scoring from the ESG integration score.</p> <p>Stewardship – Provide examples of engagement activities aligned with stewardship priorities at a fund-level.</p> <p>Reporting – Report on ESG metrics at least annually.</p> <p>Engagement</p> <p>Given the fund-of-fund nature of the mandate, WTW do not directly engage with regulators, companies or debt issuers. These engagements are conducted by the private equity managers at an underlying fund level. In addition, WTW only engage with the underlying managers on these engagements if they are invested in the manager’s latest fund, which is not the case for this mandate as it’s in the process of being run off (i.e. WTW are no longer making active commitments)</p> <p>At a firm level, in 2024, WTW engaged with two new managers on the topic of emissions reporting and as a result, both managers agreed to report on carbon emissions for all portfolio companies in their latest funds.</p> <p>Stafford SIT VI Timber Fund</p> <p>Summary</p> <p>Stafford has a firm-level ESG policy in place, however the Fund does not have any specific quantifiable ESG objectives or stewardship priorities. Although the Fund reports on ESG metrics quarterly, reporting is limited.</p> <p>This is largely because this is 1) a fund-of-funds, so there is limited scope to engage on any underlying assets and 2) an older</p>
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		<p>vintage, at which time ESG was not a major priority for Stafford i.e. there were no ESG scorecards within due diligence at the time of investment, although it is worth noting that they have since developed this.</p> <p>Despite this, Stafford makes every effort to engage with the broader community on ESG issues.</p> <p>Actions for Manager</p> <p>No action required as the Trustee plans to disinvest from the Fund in 2025 as part of a fund range restructuring.</p> <p>Engagement</p> <p>Stafford engaged with its underlying managers on a variety of topics over the year. Topics of engagement included impact to nature and biodiversity, pollution and impact to water quality, sustainable forest management, indigenous land use rights and workplace health and safety.</p> <p>Stafford provided all managers with guidance on reporting against sustainability disclosure standards which facilitated Stafford's sharing of best practice reporting.</p> <p>Pantheon, Partners, Lansdowne, Nephila</p> <p>Due to the size and/or type and/or maturity of these mandates they have been excluded from the impact assessment and no engagement information has been requested.</p>
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The exercise of the rights (including voting rights) attaching to the investments	Section 4.6	The Trustee has given the investment managers full discretion in exercising rights and stewardship obligations attached to the Section’s investments. The Trustee expects managers to exercise these rights in accordance with their own corporate governance policies, considering best practice including the UK Corporate Governance Code and the UK Stewardship Code.														
		The investment managers have full discretion to vote in the best financial interests of the beneficiaries of the Section. Details of the voting activity undertaken in relation to the Section’s equity investments is detailed below:														
		<table><tr><th>Investment Manager</th><th>Total votable proposals</th><th>Number of proposals voted on behalf of investors</th><th>Participation rate</th><th>% votes against management</th></tr><tr><td>Lansdowne – Z Shares</td><td>63</td><td>63</td><td>100.0%</td><td>0.0%</td></tr></table>					Investment Manager	Total votable proposals	Number of proposals voted on behalf of investors	Participation rate	% votes against management	Lansdowne – Z Shares	63	63	100.0%	0.0%
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		Lansdowne – Z Shares	63	63	100.0%	0.0%										
		Commentary on an example of Lansdowne’s most significant voting activity (as defined by the manager) is provided below:														
		Lansdowne Z Shares Fund – In Q2 2024, portfolio company, Time Out Group Plc, proposed a vote to approve the Company’s financial statements and statutory reports which included a remuneration report. Lansdowne voted in favour of the approval as the remuneration policy was found to be in line with the value brought to the company by the individuals in question.														
		The Trustee did not use the direct services of a proxy voting manager over the period but acknowledge that some investment managers may choose to appoint a proxy voting manager for the funds in which the Section invests. Some managers also make use of proxy voting research in informing their stewardship activities.														
		The Trustee has not challenged its investment managers with regards to their voting activity during the period.														
		The Trustee also accepts that it is not practicable for the investment managers to vote in all circumstances.														
The remainder of the Section’s assets fall under private equity, credit, or UK government bond and therefore have no voting rights attached.																