Implementation Statement, covering the Scheme Year from 6 April 2023 to 5 April 2024 (the "Scheme Year")

The Trustee of The FirstGroup Pension Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

1. Introduction

The voting and engagement policies in the SIP were reviewed and updated during the Scheme Year, in November 2023 and subsequently agreed in May 2024, to reflect that:

- From time to time the Trustee will review how the managers implement their voting and engagement policies, amongst other aspects in practice; and

- Additional wording on the Trustee's Stewardship policies and net zero alignment relating to the Department of Work & Pensions' guidance.

Further detail and the reasons for these changes are set out in Section 2. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year.

2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are:

- Legal & General ("LGIM"): LGIM's Engagement Policy

- Mercer: Mercer's Engagement Policy

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

LCP's Responsible Investment ("RI") scores for the Scheme's existing funds are included in the quarterly performance monitoring report. These scores cover the manager's approach to Environmental, Social and Governance ("ESG") factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The Trustee also receives quarterly updates on ESG and Stewardship related issues from LCP as part of their quarterly investment update report.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the Q1 2024 meeting, the Trustee discussed and agreed stewardship priorities for the Scheme which were:

- Climate change;
- Diversity, equity & inclusion; and
- Corporate transparency.

The Trustee selected these stewardship priorities as market-wide risks and areas where it believes that good stewardship and engagement can improve long-term financial outcomes for members. The Trustee communicated these priorities to its managers in April 2024. In this communication, the Trustee set the following expectations for its managers:

- Take account of financially material factors (including climate change and other ESG factors) when investing the Scheme's assets, and to improve your ESG practices over time, within the parameters of your mandates;
- Undertake voting and engagement on the Trustee's behalf in line with your stewardship policies, considering the long-term financial interests of the Trustee;
- Provide information on your stewardship policies, activities and outcomes, as requested to LCP from time to time, to enable the Trustee to monitor them.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve.

Over the Scheme year, the Trustee invested in the following new pooled funds with Legal & General Investment Management ("LGIM"), Columbia Threadneedle Investment ("CTI") and Ninety One:

- LGIM Low Carbon Transition Global Equity Index Fund;
- LGIM Low Carbon Transition Global Equity Index Fund (GBP Hedged);
- CTI Short Duration Credit Fund;
- CTI Credit-Linked Real LDI Fund;
- CTI Nominal Dynamic LDI Fund;
- CTI Short Profile Real Dynamic LDI Fund;
- CTI Sterling Liquidity Fund; and,
- Ninety One Multi-Asset Credit Fund.

In selecting and appointing these managers, the Trustee considered LCP's advice on the shortlisted managers which included information on their responsible investment capabilities.

3. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association ("PLSA") guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- LGIM Low Carbon Transition Global Equity Index Fund
- LGIM Low Carbon Transition Global Equity Index Fund (GBP Hedged)
- Mercer Global Small Cap Equity Fund
- Mercer Low Volatility Equity Fund
- Mercer Sustainable Global Equity Fund
- Mercer Emerging Markets Equity Fund
- Mercer Eurozone Equity Fund
- Mercer UK Equity Fund
- Mercer China Equity Fund

We have also included statistics for the holdings that had voting opportunities during the Scheme year, as follows:

- Mercer Passive Global REITS UCITS CCF

In addition to the above, the Trustee contacted the Scheme's asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. The Trustee has been informed that none of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities, however Ninety One provided detail on their engagement activities, which is included in the next Section.

3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

Legal & General ("LGIM")

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also considers client feedback received at regular meetings and/or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and are in accordance with the relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company.

The Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, and it does not outsource any part of its strategic decisions. LGIM uses ISS recommendations but purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM has put in place a custom voting policy with specific voting instructions that apply to all markets globally. LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy.

Mercer

As a shareholder of publicly listed companies, Mercer has the right to vote at shareholder meetings and regards voting its shares as important to its fiduciary responsibility.

As part of its investment model, proxy voting responsibility is allocated to listed equity managers with an expectation that all shares are to be voted in a timely manner and a manner deemed most likely to protect and enhance long-term value. Mercer evaluates each sub-investment manager's capability in ESG engagement and proxy voting, as part of the selection process to review against Mercer IS's support for good governance, integration of sustainability considerations and long-term value creation.

Mercer expects its investment managers to establish their own voting policy that sets out the principles and guidelines under which rights to vote are exercised. Mercer engages the services of a third party to facilitate the collation and reporting of proxy voting data. Mercer's proxy voting records are available online via the Proxy Voting Search site, where one can search by region and company over the prior six months.

Ninety One

Although Ninety One has reported no voting activities over the period, it believes engagement is an important investment tool to help preserve and grow the real value of the assets entrusted to Ninety One by its clients over the long-term. It also provides Ninety One with valuable ESG information, helps it understand management intentions and enables it to advocate for improved ESG practices and disclosure. Ninety One recognises that it must prioritise its engagement activity and typically it will consider the size and duration of holdings, credit quality, degree of transparency and the materiality of ESG risks and opportunities.

3.2 Summary of voting behaviour

A summary of voting behaviour over the Scheme Year is provided in the table below.

	LGIM Low Carbon Transition Global Equity Index Fund	Mercer Global Small Cap Equity Fund	Mercer Low Volatility Equity Fund	Mercer Sustainable Global Equity Fund	Mercer Emerging Markets Equity Fund	Mercer Eurozone Equity Fund	Mercer UK Equity Fund	Mercer China Equity Fund	Mercer Passive Global REITS UCITS CCF
Total size of fund at end of the Scheme Year	Unhedged: £4,618m Hedged: £1,370m	Mercer could not report on this							
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	Unhedged: £7.0m (7.2%) Hedged: £7.0m (7.2%)	£0.0 (the Scheme fully disinvested from the Mercer funds over the Scheme Year)							
Number of equity holdings at end of the Scheme Year	2,838	Mercer could not report on this							
Number of meetings eligible to vote	4,698	Mercer could not report on this							
Number of resolutions eligible to vote	46,620	6,310	8,239	6,381	3,785	4,415	2,132	4,909	3,208
% of resolutions voted	99.9%	95.6%	95.4%	98.7%	94.5%	95.7%	99.7%	97.9%	96.1%
Of the resolutions on which voted, % voted with management	78.9%	91.5%	92.1%	89.2%	86.1%	87.5%	98.4%	86.7%	78.1%
Of the resolutions on which voted, % voted against management	20.8%	8.5%	7.9%	10.8%	13.9%	12.5%	1.6%	13.3%	21.9%
Of the resolutions on which voted, % abstained from voting	0.3%	0.3%	0.3%	0.5%	3.9%	0.8%	0.3%	1.5%	0.1%
Of the meetings in which the manager voted, % with at least one vote against management	65.3%	41%	39%	58%	42%	54%	28%	44%	68%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	12.0%	Mercer could not report on this							

LGIM and Mercer were unable to provide part-period voting data, so data for the year to 31 March 2024 has been included in the table. Valuations are as at 5 April 2024. Mercer does not take into account abstaining votes in its calculation of (%) of votes for or against company management, so these rows do not sum to 100%.

3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

The Trustee did not inform its managers which votes it considered to be most significant in advance of those votes.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria[1] for creating this shortlist. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustee has interpreted "significant votes" to mean those that align with the Trustee's stewardship priorities, and/or represent a material fund holding. The Trustee has reported on some of these significant votes per fund.

LGIM

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association ("PLSA") guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM notes a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

[1] Vote reporting template for pension Fund implementation statement – Guidance for Trustees (plsa.co.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

LGIM "most significant votes"	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Amazon.com, Inc.	JPMorgan Chase & Co.
Date of vote	28/02/2024	24/05/2023	16/05/2023
Approximate size of holdings at 5 April 2024	4.9%	1.8%	0.7%
Summary of the resolution	Report on risks of omitting viewpoint and ideological diversity from Equal Employment Opportunity ("EEO") policy	Report on median and adjusted gender/racial pay gaps	Report on climate transition plan describing efforts to align financing activities with GHG targets
Company management recommendation	Against	Against	Against
How you voted	Against	For	For
Was the vote communicated to the company ahead of the vote	No	Yes	Yes
Rationale for the voting decision	A vote against this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.	LGIM expects companies to disclose meaningful information on their gender pay gap and the initiatives they are applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believes that cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.	LGIM generally supports resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. LGIM believes detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
Why this vote is considered to be most significant	Diversity, equity, and inclusion and corporate transparency stewardship priorities.	Diversity, equity, and inclusion and corporate transparency stewardship priorities.	Climate change stewardship priority.
Outcome of the vote and next steps	The resolution failed. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	The resolution failed. LGIM will continue to engage with the company and monitor progress.	The resolution failed. LGIM will continue to engage with the company and monitor progress.

Mercer "most significant votes"	Mercer Global Small Cap Equity Fund	Mercer Low Volatility Equity Fund	Mercer Passive Global REITS UCITS CCF	Mercer Sustainable Global Equity Fund	MERCER Eurozone Equity Fund	MERCER UK Equity Fund
Company name	Bloomin' Brands	UnitedHealth	Public Storage	Schneider Electric SE	TotalEnergies SE	Shell Plc
Date of vote	18/04/2023	06/05/2023	02/052023	04/05/2023	26/05/2023	23/05/2023
Approximate size of holdings at 5 April 2024	0.1%	1.1%	3.4%	1.2%	1.0%	4.5%
Summary of the resolution	Shareholder proposal regarding GHG targets and alignment with Paris Agreement	Shareholder proposal regarding racial equity audit	Shareholder proposal regarding GHG targets and alignment with Paris Agreement	Opinion on climate strategy	Opinion on 2023 Sustainability and Climate Progress Report	Shareholder proposal regarding scope 3 GHG target and alignment with Paris Agreement
How you voted	For	Against	For	For	For	Against
Was the vote communicated to the company ahead of the vote	No	Not reported	No	Not reported	Not reported	Not reported
Rationale for the voting decision	Setting GHG emissions targets will help the company manage climate change and deforestation-related risks.	Mercer voted against this proposal, noting the company has taken positive steps towards racial equity. Mercer noted that it has been engaging with the company on environmental topics and raised this as part of its discussions around the company's strategy.	A vote in favour is applied as Mercer expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.	Mercer voted to approve the company's climate strategy, however it was noted that there was room for improvement, particularly with regards to the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.	Mercer supported this proposal, noting the company had made sufficient progress over the year and were responsive to engagement efforts from investors. While they felt there was still room for improvements in some areas, they were satisfied that the company committed to reduce by 30 percent scope 3 GHG emissions from oil production by 2030 and committed to disclose absolute targets for GHG emissions covering all activities as well as further information regarding their environmental impact.	Given the Company's existing GHG reduction goals, and its extensive disclosure on the steps it is taking to mitigate its environmental impact, Mercer did not believe that adoption of this proposal would benefit the Company or its shareholders.
Why this vote is considered to be most significant	Climate change stewardship priority.	Diversity, equity, and inclusion stewardship priority.	Climate change stewardship priority and represents a significant holding by size in the portfolio.	Climate change stewardship priority.	Climate change stewardship priority.	Climate change stewardship priority.
Outcome of the vote and next steps	The resolution failed. Mercer will monitor the company's response.	The resolution failed. Next steps were not reported.	The resolution failed. Mercer will continue to assess companies' transition plans in line with their minimum expectations and assess their progress across E, S and G factors.	The proposal passed. Mercer will monitor the company's progress and review any updates.	The resolution passed. Mercer will continue to monitor the company against its recent commitments.	The resolution failed. There were no next steps reported.