

# Advice on the annual Implementation Statement

## The FirstGroup Pension Scheme

24 July 2025

*This note has been prepared for the Trustee of The FirstGroup Pension Scheme (the “Scheme”) in response to your request that we provide a draft Implementation Statement (“IS”) for the Scheme.*

### Background and introduction

There is a requirement for most trust-based defined benefit (“DB”) and defined contribution (“DC”) pension Schemes to produce a Statement which covers the report and accounts year (which is the 12 months to 5 April for the Scheme).

The Department for Work and Pensions (“DWP”) issued [Statutory Guidance](#) in June 2022 which applies to any Statement that trustees are required to prepare in respect of pension scheme year ends on or after 1 October 2022. The guidance gives an overview of the items which Trustees “must”, “should”, are “encouraged”, “could” or “may” include in their Statement.

“Must” items are requirements imposed by legislation. “Should” items are expected to be followed, and if not followed, trustees should describe concisely the reasons for deviating from the guidance approach. For “Could”, “May” and “Encouraged” items, it is hoped that trustees will address them where possible but they are not expected to explain reasons if not followed. We have included all “must” and “should” items and some “could” items.

The guidance states that the Pensions Regulator is the primary audience for the Statement, but it should be written in plain English as far as possible so that members could reasonably interpret and understand the disclosures. Trustees are encouraged to consider producing member-facing summary versions of the Statement (with signposting to the full Statement). Please let us know if you would like us to prepare a “member friendly” summary version of the Statement.

The DWP has stated that it is important that trustees understand and consider financially material Environmental, Social and Governance (“ESG”) factors and stewardship approaches in their investment decisions.

For DB Schemes without a DC section (such as your Scheme), the Statement should set out how, and the extent to which, the Trustee has followed the **voting and engagement policies** in the Statement of Investment Principles (“SIP”) during the Scheme Year. In addition, trustees should seek to demonstrate they have had regard to the Statutory Guidance.

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

The DWP’s guidance states: “*where Trustees use the voting policy of the asset manager, they should briefly summarise in the IS whether the asset manager’s voting behaviour was aligned with the Scheme’s stewardship priorities*”.

### Key points

We have produced the draft Statement in this note based on our understanding of the regulatory requirements and the DWP’s stewardship guidance. Ultimately it is the Trustee’s responsibility to produce a compliant Statement and the Pensions Regulator can impose fines for non-compliance. Therefore, you may wish to obtain legal advice to ensure that all requirements have been met.

There is interest in the Statement from the Pensions Regulator, policymakers, and the media; as such please ensure you are comfortable with the content being in the public domain.

In the section of the Statement on voting behaviour, we have included data on the Scheme’s funds that hold equities, managed by Legal & General Investment Management (“L&G AM”), as follows:

- L&G AM Low Carbon Transition Global Equity Index Fund; and
- L&G AM Low Carbon Transition Global Equity Index Fund (GBP Hedged).

We have 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. **We have 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, Columbia Threadneedle Investments (“CTI”) and Ninety One provided some detail on its engagement activities in relation to the Scheme assets they manage, which we have commented on in Section 3 below.

## Next steps

We propose that you review the Statement and include it within your Report & Accounts ending 5 April 2025 to comply with the relevant regulations. The Report & Accounts need to be finalised within seven months of the end of the Scheme Year, ie by 5 November 2025.

**You are required to publish your Statement on a website for public access as soon as reasonably practicable after the Report & Accounts are signed off.** We expect you will use the same location for the Statement as last year. It remains very important that the website is readily and publicly available. A web address for the location of the published materials must be included in members’ Annual Benefit Statements.

Please let us know if you have any questions.

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# *Implementation Statement, covering the Scheme Year from 6 April 2024 to 5 April 2025 (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 May 2024, to reflect:

- the Trustee’s Stewardship priorities and Net Zero ambition and expectation that the Scheme’s investment managers and advisers help the Trustee achieve this ambition; and
- the DWP’s new guidance on Reporting on Stewardship and Other Topics through the SIP and Implementation Statement which expects trustees to take a more active role in relation to monitoring and engaging with investment managers on stewardship.

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:

- **L&G AM:** [L&G AM’s Engagement Policy](#)

However, the Trustee takes ownership of the Scheme’s stewardship by monitoring and engaging with managers and escalating as necessary as detailed below.

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.

Following the introduction of DWP’s guidance, the Trustee agreed to set stewardship priorities to focus engagement with its 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 the Trustee’s 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; and
- Provide information on the Trustee’s stewardship policies, activities and outcomes, as requested to LCP from time to time, to enable the Trustee to monitor them.

The Trustee retained these stewardship priorities for the current Scheme Year.

As part of the May 2024 SIP update, the Trustee set a Net Zero Ambition to help mitigate climate risk. It aims to align the Scheme’s assets with net zero greenhouse gas emissions by 2050 through selecting managers, and investing in funds, with credible net zero targets.

In November 2024, the Trustee undertook a detailed review of its managers’ responsible investment practices with help from its investment adviser, LCP. The review was based on LCP’s 2024 Responsible Investment survey and included the investment adviser’s qualitative assessment of each manager across five areas: ESG foundations, climate and net zero, engagement, voting, and systemic stewardship. 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 its quarterly investment update report. While the Trustee was satisfied with the managers’ scores, it wrote to each investment manager to highlight identified areas for improvement.

Shortly after Scheme Year end, the Trustee appointed TwentyFour to manage an asset-backed securities (“ABS”) mandate. In selecting and appointing the manager, 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 manager, L&G AM, 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. However, the Trustee monitors managers’ voting and engagement behaviour and challenges managers where their activity has not been in line with the Trustee’s expectations.

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:

- L&G AM Low Carbon Transition Global Equity Index Fund; and
- L&G AM Low Carbon Transition Global Equity Index Fund (GBP Hedged).

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. None of the other funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

However, Columbia Threadneedle Investments (“CTI”) and Ninety One provided some detail on its engagement activities in relation to the Scheme assets they manage, which we have commented on below.

#### 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 (“L&G AM”)

L&G AM'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. L&G AM's voting policies are reviewed annually and take into account feedback from its clients. Every year, L&G AM 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 L&G AM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. L&G AM also considers client feedback received at regular meetings and/or ad-hoc comments or enquiries.

All decisions are made by L&G AM'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 L&G AM, and it does not outsource any part of its strategic decisions. L&G AM 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 L&G AM receives from ISS for UK companies when making specific voting decisions.

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

## Columbia Threadneedle Investments (“CTI”)

Although CTI reported no voting activities over the period, CTI is committed to the good stewardship of its clients' investments through its engagement, voting and public policy activities. Its primary purposes in engagement is to support long-term returns and to mitigate risk. CTI also believes that by encouraging better management of ESG issues by its investee companies, CTI contributes to a more resilient global economy, which will ultimately enhance its clients' long-term prosperity and security.

## Ninety One

Although Ninety One reported no voting activities over the period, Ninety One aims for communication with purpose and an identifiable outcome in its engagement. This purpose can be either actively looking to influence outcomes around specific issues or obtaining information or clarification which allows a better understanding of how companies are managing relevant risks and opportunities.

Over the last 12 months, the majority of Ninety One's engagement was with corporates, with the rest being engagement with governments and industry bodies. Approximately half of Ninety One's engagements had some element relating to climate change, with the rest relating to company specific issues relating to individual issuers. For the next 12 months the focus will be on climate change in line with Ninety One's corporate strategy.

### 3.2 Summary of voting behaviour

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

	L&G AM Low Carbon Transition Global Equity Index Funds
Total size of fund at end of the Scheme Year	Unhedged: £5,562m Hedged: £1,644m
Value of Scheme assets at end of the Scheme Year (£)	Unhedged: £6.8m Hedged: £7.0m
Number of equity holdings at end of the Scheme Year	2,737
Number of meetings eligible to vote	4,703
Number of resolutions eligible to vote	47,050
% of resolutions voted	99.8%

Of the resolutions on which voted, % voted with management	79.6%
Of the resolutions on which voted, % voted against management	19.2%
Of the resolutions on which voted, % abstained from voting	1.2%
Of the meetings in which the manager voted, % with at least one vote against management	61.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	10.9%

### 3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset manager (L&G AM) who held listed equities, is set out below.

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 L&G AM provides a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested L&G AM could use the PLSA's criteria<sup>1</sup> 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.

#### L&G AM

In determining significant votes that it provides to the Trustee, L&G AM'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 L&G AM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an L&G AM engagement campaign, in line with L&G AM Investment Stewardship's 5-year ESG priority engagement themes.

However, as outlined above, the Trustee interprets significant votes in a different manner to L&G AM and has selected those it considers to be "most significant".

<sup>1</sup> [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

Most significant votes	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Microsoft Corporation	Broadcom Inc.	UnitedHealth Group Incorporated
<b>Date of vote</b>	10 December 2024	22 April 2024	3 June 2024
<b>Approximate size of holdings at 5 April 2025</b>	4.1%	0.8%	0.7%
<b>Summary of the resolution</b>	Report on AI Data Sourcing Accountability	Elect Director Henry Samueli	Elect Director John Noseworthy
<b>Relevant Stewardship priority (why the Trustee considers the vote to be “most significant”)</b>	Corporate Transparency	Climate Change	Diversity, equity & inclusion
<b>Company management recommendation</b>	For	For	For
<b>Fund manager vote</b>	For	Against	Against
<b>Rationale for the voting decision</b>	A vote for this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models.	A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.	A vote against is applied as L&G AM expects a company to have at least one-third women on the board.
<b>Was the vote communicated to the company ahead of the vote</b>	L&G AM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is L&G AM’s policy not to engage with its investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.		
<b>Why L&amp;G AM consider the vote to be “most significant”</b>	The shareholder resolution is considered significant due to the relatively high level of support received.	L&G AM considers this vote to be significant as it is applied under the Climate Impact Pledge, its flagship engagement programme targeting companies in climate-critical sectors.	L&G AM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.
<b>Outcome of the vote and next steps</b>	The resolution failed. L&G AM will continue to engage with its investee companies, publicly advocating its position on this issue and monitor company and market-level progress.	The resolution passed. L&G AM will continue to engage with its investee companies, publicly advocating its position on this issue and monitor company and market-level progress.	The resolution passed. L&G AM will continue to engage with their investee companies, publicly advocate its position on this issue and monitor company and market-level progress.