



Arriva Passenger Services National Pension Scheme: Money Purchase Sections

Implementation Report

Scheme Year to 31 March 2025

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('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's fiduciary duty.

Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the Statement of Investment Principles (SIP).

The SIP can be found online at the web address:

[Arriva Passenger Services National Pension Scheme - Statement of Investment Principles](#)

There have been no changes to the SIP over the Scheme year.

The Implementation Report details:

- actions the Scheme has taken to manage financially material risks
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Scheme has followed 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
- voting behaviour covering the reporting year up to 31 March 2025 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf
- the policies in place to ensure the default strategy remains in the best interest of members.

Summary of key actions undertaken over the Scheme reporting year

- The Trustee has not committed to any key actions over the Scheme year.

Implementation Statement

This report demonstrates that the Arriva Passenger Services National Pension Scheme (Money Purchase Sections) has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed: Scott Duncan

Position: Trustee Director

Date: 29/10/2025

Managing risks and policy actions

Risk / Policy	Definition	Policy	Actions
Inflation	The risk that the level of investment return over members' working lives will not keep pace with inflation and will not, therefore secure an adequate retirement benefit.	The Trustee recognises that members take the investment risk. The Trustee takes account of this in the selection and monitoring of investment managers and the choice of funds offered to members.	There have been no changes to the policy over the reporting year.
Volatility	The risk of significant short-term fluctuations in the value of members' invested capital which some members may be concerned about.	Same policy as above.	There have been no changes to the policy over the reporting year.
Capital	The risk of a significant fall in value of members' invested capital as they approach retirement.	Same policy as above.	There have been no changes to the policy over the reporting year.
Conversion	The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured.	Same policy as above.	There have been no changes to the policy over the reporting year.
Default investment option	The risk of the default investment option being unsuitable for the requirements of some members.	The Trustee has provided additional lifestyle and individual fund options in addition to the default investment option and has communicated to members the need to review their own requirements and circumstances before making any investment decisions.	There have been no changes to the policy over the reporting year.
Investment manager	The risk that the selected investment managers underperform their objectives.	The Trustee regularly reviews each fund's investment performance and takes ongoing advice from the investment adviser on the ongoing suitability of the funds and investment managers. The Trustee focuses on providing passive options that avoid active management risk.	There have been no changes to the policy over the reporting year.
Diversification	No definition included in the SIP.	The Trustee has chosen funds that are constructed from well diversified portfolios of assets to reduce the stock specific risk faced by the Scheme.	There have been no changes to the policy over the reporting year.

Liquidity	Being forced to sell investments to pay benefits in unfavourable financial market conditions.	The Trustee has invested in unitised pooled funds which are easily redeemable.	There have been no changes to the policy over the reporting year.
Gearred or speculative investments using derivatives	No definition included in the SIP.	The Trustee has not invested in funds that are geared or make largely speculative use of derivatives.	There have been no changes to the policy over the reporting year.
Credit	The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.	The credit risk the Scheme is exposed to arises from holdings in the underlying funds.	There have been no changes to the policy over the reporting year.
Market	The Scheme is subject to currency, interest rate and other price risk associated with the underlying investments. These risks can impact the valuations of the funds.	The Trustee has selected a sufficient range of funds to be available to allow members to suitably diversify their investments to manage these risks. This is also considered when setting the lifestyle strategies. Further, the Trustee closely monitors the performance of the funds and receives formal reports from the investment adviser giving views on their continuing appropriateness, and that of the underlying investment managers.	There have been no changes to the policy over the reporting year.
Fraud, poor advice or acts of negligence ('operational risk')	No definition included in the SIP.	The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.	There have been no changes to the policy over the reporting year.
Responsible investment	In setting the Scheme's investment strategy, including the default investment option, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly.	The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's investment strategy (including the different options available to members), when selecting managers and when monitoring their performance.	More details on the responsible investment policy and how it is implemented are presented later in this report.

Changes to the SIP

The Trustee has not updated the SIP during the reporting period.

Policies added to the SIP

Date of last update: 28 April 2023

The SIP has remained unchanged throughout the current Scheme year.

○ The SIP has remained unchanged throughout the current Scheme year.

Implementing the current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy regarding ESG as a financially material risk. This page details how the Scheme's ESG policy is implemented, while the following pages outline Trustee views of the managers, actions for engagement and an evaluation of the stewardship activity.

The below outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee intends to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the Current ESG Policy

Stewardship – Voting & Engagement

The Trustee invests in pooled funds and as such have delegated responsibility for the selection, retention, and realisation of investments to the Scheme's investment managers in whose funds they invest.

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to:

- where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser regarding any changes. Where appropriate, this advice includes stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards that the Trustee has set out in its Responsible Investment policy, the Trustee undertakes to engage with the manager and seek a more sustainable position (where possible) but may look to replace the manager.

The Trustee endeavours to review the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Scheme's investment managers and ensure the managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

On an annual basis, the Trustee expects managers to provide aggregate voting information at a fund level and voting rationale for significant votes (defined as where votes were cast against management or where voting differed from the standard voting policy of the manager).

The Trustee will engage with its investment managers, as necessary, for more information to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned. From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy, the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

The underlying funds that make up the default investment option, the alternative lifestyle options and other self-select funds should not apply personal ethical or moral judgements as the sole basis for an investment decision.

Engagement

As the fund manager for the Scheme's default investment strategy, the BlackRock Cautious Lifestyle Option, BlackRock was asked to provide a summary of engagements by category for the 12-month period to 31 March 2025.

Fund name	Engagement summary	Commentary
BlackRock Aquila Connect World (ex UK) Equity Index Fund	Total engagements: 1,705	BlackRock provided a firmwide policy document which sets out their engagement priorities. These are Board quality and effectiveness, Strategy, purpose and financial resilience, Incentives aligned with financial value creation, Climate and natural capital and Company impacts on people.
	Number of entities engaged: 858	
	Environmental: 459	
	Social: 495	BlackRock's stewardship policies are developed and implemented separately by two independent, specialist teams, BlackRock Investment Stewardship (BIS) and BlackRock Active Investment Stewardship (BAIS).
	Governance: 1,278	
		Engagement example (Governance):
		BlackRock engaged with representatives of Workday's management team in June 2024 to deepen its understanding of the company's executive compensation framework, particularly the alignment of long-term equity awards for the CEO and other NEOs with corporate strategy and sustainable value creation. Following these discussions, BlackRock maintained concerns about the scale and structure of the company's compensation practices and followed up with an engagement in December 2024 to further discuss approach to executive compensation.
		Engagement example (Environment):
		Ahead of the April 2024 AGM, BlackRock engaged with members of Nestle's management team to understand their views on the shareholder proposal which sought amendments to the company's AOA. The proposal requested that Nestle commit to producing an annual sustainability report. During the engagement, Nestlé also communicated its commitment to improving the nutritional value of its products through methods like reformulation – reducing sugar across their entire portfolio, reducing trans-fat levels in products, and improving the Health Star Rating of products. Following the engagement, BlackRock did not support the shareholder proposal at the AGM as they determined that amending the company's AOA was an unnecessarily prescriptive course of action. Moreover, BlackRock felt the request for Nestlé to increase its focus on healthier products is a strategic matter that should be determined by management.

		Engagement example (Social): BlackRock engaged with key Amazon board members and executive leadership in May 2024 to gain insights into the company's strategic approach to workforce safety. Through these discussions, BlackRock reviewed Amazon's enhanced investor communications framework, which details both its foundational safety commitments and ongoing initiatives to improve working conditions across its operations.
BlackRock Aquila Connect UK Equity Index Fund	Total engagements: 180 Number of entities engaged: 118 Environmental: 52 Social: 35 Governance: 167	See previous commentary.
BlackRock Aquila Connect Corporate Bond All Stocks Fund	Total engagements: 145 Number of entities engaged: 75 Environmental: 58 Social: 46 Governance: 136	See previous commentary.
BlackRock Aquila Connect Over 5 Year Index-Linked Gilts Index Fund	This data was requested from BlackRock; however, they were unable to provide reporting at this level of detail. They are actively working to ensure that such data will be available in future.	See previous commentary.
BlackRock Aquila Connect Over 15 Years UK Gilt Index Fund	This data was requested from BlackRock; however, they were unable to provide reporting at this level of detail. They are actively working to ensure that such data will be available in future.	See previous commentary.

Voting (for equity/multi asset funds only)

As the Scheme invests via BlackRock, the manager has provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2025. BlackRock also provided examples of any significant votes.

The Trustee have adopted the managers definition of significant votes and have not set Scheme specific stewardship priorities. The managers have therefore provided examples of votes they deem to be significant.

This section is required for equity and multi asset funds only.

Fund name	Voting summary	Examples of significant votes	Commentary
BlackRock Aquila Connect World (ex UK) Equity Index Fund	Meetings eligible to vote for: 1,891 Resolutions eligible to vote for: 23,335 Resolutions voted: 94% Votes for management: 88% Votes against management: 5% Abstained from voting: 0%	Constellation Brands, Inc. - Date of vote: July 17, 2024 - Reasoning for significant vote: Not provided. - Approximate size of the scheme's/mandate's holding: Not provided. - Summary of the resolution: Report on Support for a Circular Economy for Packaging - How the manager voted: Against Management - An explanation of the rationale for the voting decision: BlackRock believes that the company already provides sufficient disclosure and/or reporting regarding this issue, or that it is already enhancing its relevant disclosure.	BlackRock enacted over 167,900 proxy votes over 2024. Through their internal policies, they ensure their vote aligns with their stewardship policy. Manager's voting policy: BIS Global Principles (blackrock.com) For further information on BlackRock's voting and engagement policies, please refer to the following webpage which can be found here. For more information on BlackRock's use on proxy services, please refer to the following documents available on their website here.
BlackRock Aquila Connect UK Equity Index Fund	Meetings eligible to vote for: 684 Resolutions eligible to vote for: 9,589 Resolutions voted: 99% Votes for management: 97%	Shell Plc - Date of vote: May 21, 2024 - Reasoning for significant vote: Not provided. - Approximate size of the scheme's/mandate's holding: Not provided. - Summary of the resolution: Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas Emissions (GHG) of the Use of its Energy Products (Scope 3) with the	Please see above.

	Votes against management: 3% Abstained from voting: 0%	Goal of the Paris Climate Agreement - How the manager voted: Against Management - An explanation of the rationale for the voting decision: BlackRock believes the request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.
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