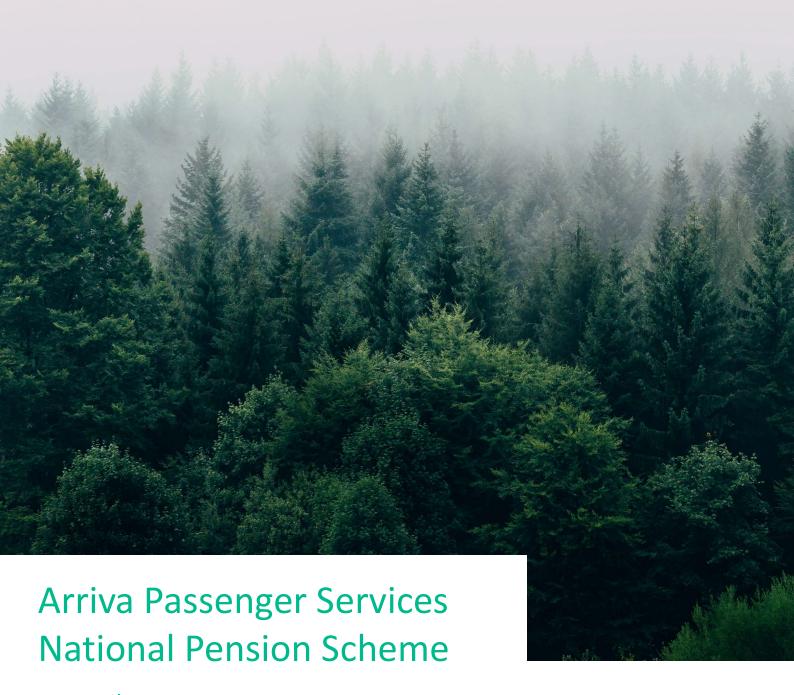
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05 April 2021



Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') is increasing regulation to improve disclosure of financially material risks. This regulatory change recognises Environmental, Social and Governance (ESG) factors as financially material and schemes need to consider how these factors are managed as part of their fiduciary duty. The regulatory changes require that schemes detail their policies in their statement of investment principles (SIP) and demonstrate adherence to these policies in an implementation report.

Statement of Investment Principles (SIP)

The Scheme updated its SIP in to in response to the DWP regulation to cover:

- · policies for managing financially material considerations including ESG factors and climate change
- · policies on the stewardship of the investments

The SIP can be found online at the web address

https://www.arrivapensions.com/~/media/Files/A/Arriva-Pensions/documents/arrivapassenger-services-national-pension-scheme- statement-of-investment-principles.pdf changes to the SIP are detailed on the following page.

Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP. This report details:

- actions the Scheme 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 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 05 April 2021 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf

Summary of key actions undertaken over the Scheme reporting year

- Towards the end of the Scheme year the Scheme appointed Isio as its new investment consultant.
- The Scheme de-risked its investment strategy by fully disinvesting from the Newton Real Return Fund on 26 March 2021 and investing in a new LDI mandate with LGIM.

Implementation Statement

This report sets out how the Arriva Passenger Services National Pension Scheme has taken account of its investment principles and policies for managing financially material consideration including ESG factors and climate change.

DocuSigned by: Signed

Position Trustee Director

Date 28-Sep-2021

Managing risks and policy actions DB

Risk / Policy	Policy		
Liquidity Objective	To acquire and maintain suitable assets of appropriate liquidity which will generate income and capital growth.		
Funding Objective	To limit the risk of the Scheme's assets failing to meet the liabilities over the long term, and to ensure that the Scheme has sufficient assets available to pay members' benefits as and when they arise using assumptions underlying the calculation of the Scheme's technical provisions.		
Diversification Objective	To ensure that the Scheme's portfolio of assets is appropriately diversified, achieved via selecting investments spread across a range of asset classes and markets, so as to mitigate concentration risk, geopolitical risk, and currency risk to an appropriate extent.		
Cost Objective	To minimise the long-term costs of the Scheme by maximising the return on assets whilst having regard to the Scheme's "funding objective".		
Stability Objective	To have due regard to the employer's ability in meeting its contribution payments given their size and incidence, and to have due regard to the volatility of measures of funding and security.		
Responsible	In setting the Scheme's investment strategy, 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. These include:		
Investment	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 asset allocation, when selecting managers and when monitoring their performance.		

Changes to the SIP

Policies added to the SIP

Date updated: 30 September 2020

The SIP has since been reviewed and revised over the course of 2020 to take account of further regulatory changes. The Trustee has outlined its policies regarding how it incentivises asset managers to achieve their long-term objectives, their policies on cost transparency, their policies on voting & stewardship.

The most recent SIP, including the changes outlined here, was adopted on 30 September 2020, ahead of the 1 October 2020 deadline for disclosing policies on the areas set out above. The SIP can be found here: www.arrivapensions.com.

The Trustee has informed the managers of the importance of appropriately considering environmental, social, and corporate governance (ESG) factors with regards to the companies that they invest in. Similarly, the Trustee has made it known its expectation that asset managers should use their shareholder rights to influence and improve the companies they invest in, to generate better long-term financial outcomes.

The Trustees Funding and Investment Committee (the "FIC") receives performance reporting from their investment advisors and the FIC will engage with managers on performance, strategy, risk, corporate governance and ESG practice where needed.

Note: The content in the table above has been taken from the previous Implementation Statement, which included updates to the SIP from 2019 to 2020.

Current ESG policy and approach

ESG as a financially material risk

This page details the Scheme's ESG policy. The next page details The Trustee's view of the managers, actions for engagement and an evaluation of the engagement activity.

Stewardship - Voting and Engagement

The Trustee recognises the importance of their 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 enhance the long-term 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 with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. The Trustee reviews the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions. Where the Trustee identifies significant concerns relating to performance, strategy, risks, social and environmental impact, corporate governance, the capital structure or management of conflicts of interest, of an investment manager or other stakeholder; they will consider the methods by which they would monitor and engage with such an investment manager or other stakeholders.

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").

Engagement

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12month period to the end of 05 April 2021.

Fund name	Engagement summary	Commentary
Schroders – Diversified Growth Fund	Total engagements: 885 Environmental: 471 Social: 259	Schroders provided a detailed list of engagements it was involved with over the period.
	Governance: 747 Note: The sum of the separate ESG sections is greater than the total engagements due to overlapping between engagements.	Schroders' engagement activities are undertaken by their portfolio managers, analysts, and their sustainable investment team. Engagement methods include one-to- one meetings with company representatives, written and phone correspondence, and discussions with various company advisers and stakeholders.
		An example of a significant engagement:
		Amazon.com Inc. – Schroders engaged with Amazon as they believed the transparency of the company's workforce structure and employment practices had not kept pace as the firm grew.
		Specifically, the majority of Schroders' engagements with Amazon have been with regard to the firm's labour practices within its warehouses.
		This led to Schroders voting against the re-election of Amazon's lead Independent Director in the 2020 Annual General Meeting ("AGM"), to signal their concerns. Schroders made it clear to Amazon that if this issue is not

		adequately addressed by the next AGM, they would escalate the issue.
Legal & General Investment Management ("LGIM") – LDI	This data was requested from the manager; however, the manager is currently unable to produce this level of reporting. We will work with the manager to try ensure that this data is available in the future. Note: The Scheme invested in the LDI funds on 25 March 2021.	LGIM's investment and stewardship teams work together to incorporate ESG issues in decision process, from research and engagement to product development. For indexlinked funds, LGIM tend to utilise a minimum standard policy on ESG issues, but also engage directly with individua companies. The LGIM Stewardship team also engages with other asset owners on a wide range of ESG-related themes. LGIM provide an annual Active Ownership Report setting out the firm's approach to stewardship and activities during the year. Further to this and on a quarterly basis, LGIM disclose case studies of voting and engagement activities undertaken and/or concluded
LGIM – Equity (Hedged and Unhedged)	This data was requested from the manager, however, the manager is currently unable to produce this level of reporting. We will work with the manager to try ensure that this data is available in the future.	LGIM's investment and stewardship teams work together to incorporate ESG issues in decision process, from research and engagement to product development. LGIM aim to engage directly with individual companies with the LGIM Stewardship team also engaging with other asset owners on a wide range of ESG-related themes. LGIM provide an annual Active Ownership Report setting out the firm's approach to stewardship and activities during the year. Further to this and on a quarterly basis, LGIM disclose case studies of voting and engagement activities
Newton – Real	Total engagements: 52	undertaken and/or concluded Newton hold regular
Return Fund	Environmental: 36 Social: 13 Governance: 32	engagement meetings with portfolio companies and companies they are seeking to invest in. These engagements involve reviewing firms' ESG processes and policies and is

Notes: The Scheme fully disinvested from the Fund on 26 March 2021.

The sum of the separate ESG sections is greater than the total engagements due to overlapping between engagements.

completed across both equity and corporate bond investments.

Engagement is not only completed by Newton's responsible investment team, but also the wider investment team, including portfolio managers and analysts within the team.

An example of a significant engagement:

Anglo American – Newton met with the CEO of Anglo American to receive an update around the firm's strategy and progress on various ESG issues, including the results of the Responsible Mining Index.

Whilst the firm ranks strongly against its peers in the Responsible Mining Index, the scores across the peer-group are relatively low. Newton expressed their concerns with the poor implementation at the mine level to the CEO. The CEO acknowledged there is scope to improve for both the firm and the industry in general and recognises that a culture change will be required throughout the organisation. Newton will continue to monitor the company's progress on this issue.

Voting (for equity/multi asset funds only)

As the Scheme invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 05 April 2021. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
Schroders – Diversified Growth Fund	Votable Proposals: 20,135 Proposals Voted: 20,135 For votes: 18,459 Against votes: 1,551 Abstain votes: 52 Withhold votes: 73	Canadian Imperial Bank of Commerce — Schroders voted against a proposal to update the firm's computer systems with the effect of increasing competitiveness while ensuring greater privacy protection. Schroders believed that the current systems in place were already suitable, and therefore an investment into updating the systems was not required. Although in this instance Schroders believe the computer systems are suitable, they will continue to monitor the issue going forward. Woodside Petroleum Ltd — Schroders voted against a proposal to conduct and approve a review of direct and indirect lobbying via trade associations on climate change. Schroders believed a vote against this resolution was acceptable as the current level of disclosure for the firm was sufficient in comparison to the company's peers. Additionally, the firm had stated that it was to review its alignment with industry	Schroders' Corporate Governance analysts assess any company's resolutions and apply Schroders' voting policies and guidelines to each agenda item. The team utilises their own knowledge, as well as utilising external providers' research, such as the Investment Association's guidelines, the Institutional Shareholders Services("ISS") and public reporting. Corporate Governance analysts also communicate with the relevant financial analysts and portfolio managers to obtain a better understanding of the firm in question and ensures that Schroders' view is consistent. Schroders uses a third- party provider to execute all proxy voting instructions electronically. The manager regularly reviews their arrangement with these providers and benchmark them against peers.

associations on climate change related positions and to manage any divergence after the review was published.

Votable Proposals: 15435 Proposals Voted: 15435

For votes : 12630 Against votes: 2768 Abstain votes: 37 Withhold votes: 0

Medtronic plc –

LGIM voted against a vote to ratify Named Executive Officers' compensation, although the vote still passed.

The vote was to award Executive Directors a one- off award of stock options to compensate for the lack of bonus paid out during the financial year. LGIM voted against the resolution as LGIM are generally against one-off awards and especially when the criteria for receiving the award have not been met, which as the case for this vote. LGIM did engage with the company prior to the Annual General Meeting and communicated their concerns and will continue to monitor their progress.

Fast Retailing Co. Limited -

LGIM voted against a vote to elect a Director, however the Director was elected anyway.

LGIM had concerns about Japanese companies lagging European and US firms in ensuring greater female representation on boards. Globally, LGIM deem having a minimum of one woman on a board as a minimum standard, and globally aspire for all boards to have 30% of the board comprised of women.

Therefore, LGIM has a policy of voting against the chair of the nominations committee for any company in the TOPIX100 (Tokyo Stock Price Index) where this standard is not held. Hence, LGIM voted against the election of the Director to signal to the firm that they needed to act on the issue of women representation and will monitor their progress on this issue.

LGIM use Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions. Voting decisions are made by the LGIM Investment Stewardship ("IS") team and they do not delegate any voting decisions to external parties. Each member of the IS team allocated a specific sector globally which ensures that any voting decision remains consistent throughout the engagement and voting process.

LGIM have also produced a custom voting policy for ISS to follow which incorporates LGIM's view on ESG issues.

LGIM – Equity (Hedged and Unhedged)

Votable Proposals : 1280 Proposals Voted: 1270 For votes: 1091 Against votes: 189 Abstain votes: 0

Newton - Real Return Fund

Linde plc –

Newton voted against the approval of the company's executive compensation arrangement and against members of the compensation committee.

Newton had concerns over the lack of rigorous performancebased conditions, thereby not being aligned to shareholders' best interests.

Newton also noted that some of the perks to the CEO seem unnecessary and excessive, e.g. using the company aircraft for personal use. Although the resolution passed, Newton believe that more shareholders will increase their scrutiny of executive compensation and reflect this in their voting decisions.

LEG Immobilien AG -

Newton voted against the remuneration policy due to concerns that the policy lacked alignment with performance. The executive compensation scheme was entirely cashbased, and although there were indications of this being performance based, no disclosures were provided on performance targets.

The vote still passed, although there was a high share of dissent, with 22.2% of votes against the policy. Newton believe that scrutiny of compensation arrangements is increasing and that the company will seek to address concerns to avoid similar or higher dissent in the future.

Newton aim to vote on as many proposals as possible and rarely abstain from voting as Newton believe these create confusing messaging to management or may be interpreted incorrectly. With shareholder proposals, Newton give due consideration to the specific proposal and reserve the right to support proposals that align with Newton's own ESG approach and view on whether the proposal is in the best interests for their clients.

Newton do not maintain a rigid voting policy, instead taking each voting decision on a case-by-case basis. In an event where there may be a material conflict of interest, Newton outsource their voting decisions to a third party and follow the advice of their third-party administrator.

Newton utilise Institutional Shareholders Services ("ISS") for the administrating proxy voting, as well as its research reports on individual company meetings.



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.