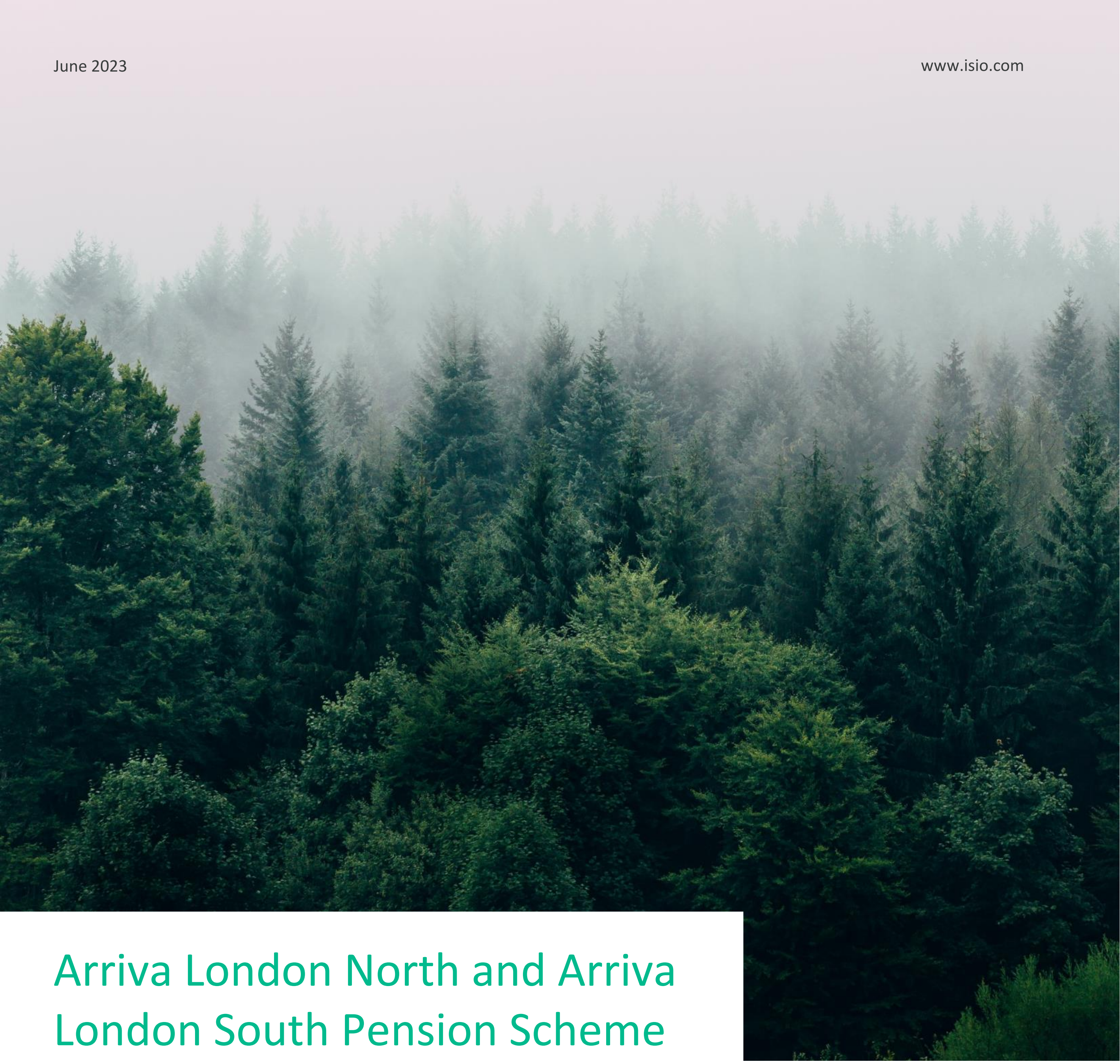


Arriva London North and Arriva London South Pension Scheme ("the Scheme")

31 March 2023

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.

Statement of Investment Principles

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

The SIP can be found online at the web address https://www.arrivapensions.com/~/media/Files/A/Arriva-Pensions/documents/arriva-london-north-arriva-london-south-pension-scheme-statement-of-investment-principles-2023.pdf

Changes to the SIP are detailed on the following page.

Implementation Report

The Implementation 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 31 March 2023 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

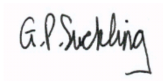
The Trustee replaced the Scheme's previous LDI mandate by entering into a Qualified Investor Alternative Investment Fund ("QIAIF") with its LDI manager, LGIM. This arrangement allows the manager more discretion to move money across the collateral waterfall and ensure an optimal level of headroom is available within the LDI funds, whilst improving efficiency through a reduction of the governance burden of the LDI recapitalisation process.

In reaction to the heightened gilt market volatility in September/October 2023, the Trustee instructed the full redemption of the BlackRock Dynamic Diversified Growth Fund to provide cash to the LDI portfolio.

In Q1 2023, the Scheme made an allocation to the LGIM Absolute Return Bond Fund, which forms part of the collateral waterfall. In addition, the Trustee instructed LGIM to increase the target hedge ratio to 105% of the gilts + 0.5% liabilities. This is thought to broadly hedge 95% of the liabilities on a proxy buyout basis.

Implementation Statement

This report demonstrates that the Arriva London North and Arriva London South Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.



Signed

Position On behalf of Ross Trustees Services Limited as Trustee of the Arriva London North and Arriva London South Pension Scheme

Date 28 September 2023

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge a high proportion of these risk on the relevant funding basis	Following improvements in the funding level, the Trustee agreed to increase the target hedge ratio to 105% of liabilities on the gilts + 0.5% basis, which is intended to broadly hedge 95% of the proxy buyout liabilities. Implementation of this occurred in Q1 2023.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.	The Scheme entered into a QIAIF with its LDI manager, LGIM. This introduced a more robust collateral waterfall process to reduce the likelihood of a hedge reduction in volatile market conditions.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	No action over the period.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.	No action over the period.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework	Further detail provided later in this report.

		2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory 6. UK Stewardship Code signatory The Trustees monitor the managers on an ongoing basis.	
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.	No action over the period.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	No action over the period.

Changes to the SIP

There have been no changes to the SIP over the year to 31 March 2023.

Post 31 March 2023, the Trustee made significant changes to the SIP following a change in investment advisor and to reflect the recent regulatory requirements. Many of these changes were non-material formatting / wording changes. Details of the recent regulatory changes can be found below:

<table>
<tr><th colspan="2">Policies added to the SIP</th></tr>
<tr><td colspan="2">Date updated: 28 April 2023</td></tr>
<tr><td>Voting Policy - How the Trustees expect investment managers to vote on their behalf</td><td>The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme’s investment managers on their behalf.</td></tr>
<tr><td>Engagement Policy - How the Trustees will engage with investment managers, direct assets, and others about ‘relevant matters’</td><td>The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme’s investment managers on their behalf.
The Trustee, via their investment advisers, will engage with managers about ‘relevant matters’ at least annually.
Example stewardship activities that the Trustee have considered are listed below.
Selecting and appointing asset managers – the Trustee will consider potential managers’ stewardship policies and activities
Asset manager engagement and monitoring –the Trustee assesses the voting and engagement activity of their asset managers on an ad hoc basis. The results of this analysis may feed into the Trustee’s investment decision making
Collaborative investor initiatives – the Trustee will consider joining/ supporting collaborative investor initiatives</td></tr>
</table>

Current ESG policy and approach

ESG as a financially material risk

The Trustee believes that good stewardship, environmental, social, and corporate governance issues may have an impact on investment returns. The Trustee also recognises that long term sustainability issues, including climate change, present risks as well as opportunities that increasingly may require explicit consideration. The Trustee has considered the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

The SIP describes the Scheme's policy with regards to ESG as a financially material risk.

As set out in the SIP, the Trustee has given appointed investment managers full discretion when evaluating ESG issues, including climate change considerations, and in exercising rights (such as voting rights) attached to the Scheme's investments The Trustee has implemented the following policy with regards to monitoring and engagement on ESG factors:

- The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental, and corporate governance issues.
- The Trustee received information from their investment advisers on their investment managers' approaches to engagement.
- The Trustee will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters at least annually,
- To mitigate ESG risk, the Trustee have implemented a policy to appoint managers who satisfy the following criteria:
    1. Responsible Investment ('RI') policy / Framework
    2. Implemented via Investment Process
    3. A track record of using engagement and any voting rights to manage ESG factors
    4. ESG specific reporting
    5. UN PRI signatory
    6. UK Stewardship Code signatory

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 12-month period to 31 March 2023.

Fund name	Engagement summary	Commentary
Ares – Secured Income Fund	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 to ensure that this data is available in the future.	The Fund's ESG related engagement is primarily led by the individual investment teams, who monitor ESG credentials over time and lead on engagements given they have the most issuer level knowledge where engagement is deemed necessary. The Fund is working to establish ESG Key Performance Indicator's to measure engagement effectiveness.
Legal & General Investment Management ("LGIM") – LDI, Active Corporate Bonds and Buy and Maintain Credit	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 to ensure that this data is available in the future.	LGIM have evidenced their ability to integrate ESG factors in their LDI fund range through counterparty review and engagement. LGIM integrates ESG factors in their processes by using proprietary tools to quantify and monitor ESG risk. LGIM have shown that they are improving their reporting processes, with ESG reports available on an ad hoc basis which include engagement summaries.
Mercer – Tailored Credit Fund	The data was requested from the manager, however fund level summary statistics were not provided. The fund is set up as a 'fund of funds' and the manager has provided examples of engagements undertaken by	Engagement example: One of the Fund's underlying managers engaged with Heathrow airport, encouraging the strengthening and consolidation of its net zero strategy (particularly on Scope 3 emissions), encouraging participation in the Climate Disclosure Programme (CDP)

	the underlying funds' managers. The manager provided the following engagement examples: Environmental: 3 Social: 1 Governance: 1	and obtaining the Science Based Targets initiative (SBTi), which enables ambitious private sector action to set ambitious science-based emissions reduction targets. As a result of the engagement, the airport has targeted Net Zero by 2050 including scope 3 emissions. In addition, they have implemented the following 2030 targets: • a 15% reduction in CO_2 emissions from flying (mainly from use of sustainable aviation fuel SAF). • a 45% cut in CO_2 from surface access, supply chain, vehicles and buildings.

Voting

The Scheme is not invested in any assets that have voting rights.

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