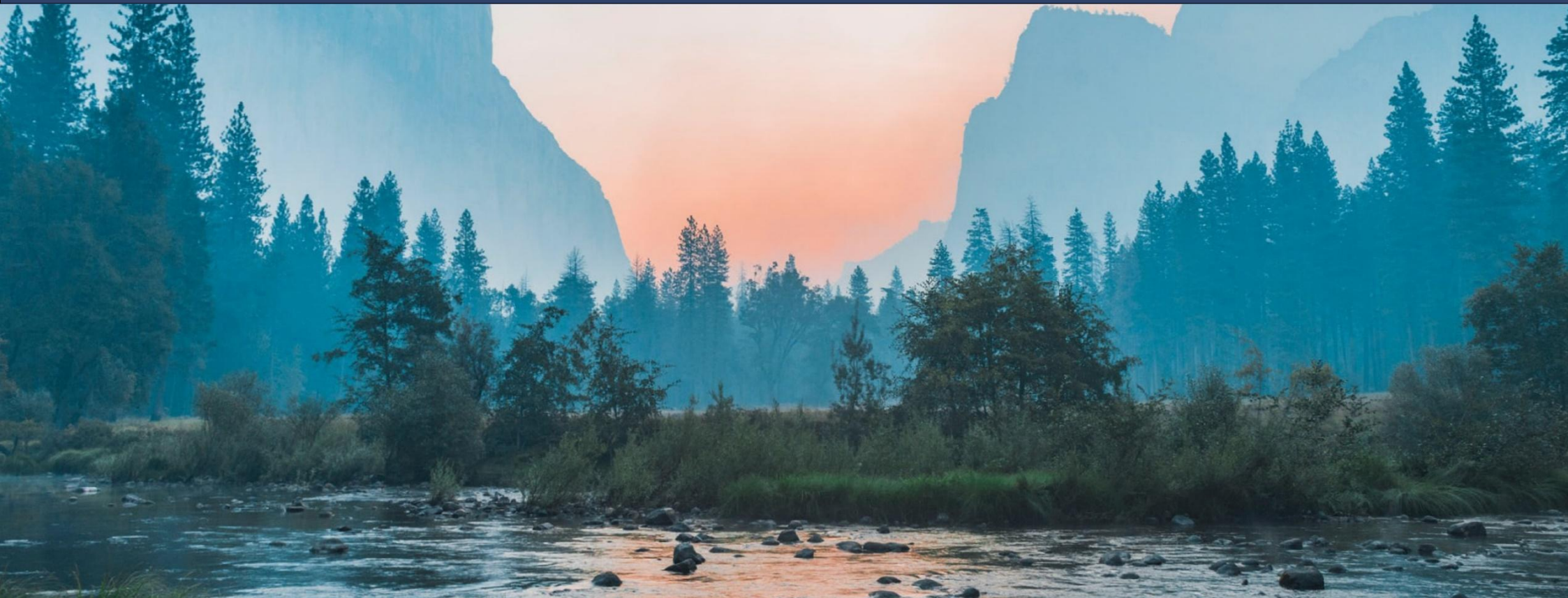


Statement of Investment Principles

For the FirstGroup Pension Scheme

Effective from: 8 July 2025



1. Introduction

This Statement of Investment Principles (“SIP”) has been produced by the Trustee of the FirstGroup Pension Scheme.

It sets out our policies on various matters governing investment decisions for the FirstGroup Pension Scheme (“the Scheme”), which is a Defined Benefit (“DB”) Scheme.

This SIP replaces the previous SIP dated 21 May 2024.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator’s guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Scheme’s investments, but which are not required to be included in the SIP.

2. Investment objectives

The primary objective for the Scheme is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the following objectives:

- that the Scheme should be fully funded on a self-sufficiency basis (gilts +0.25%) by 5 April 2030;
- that the Scheme has a long-term journey plan in place to help it achieve full funding by 5 April 2030 on the self-sufficiency basis. Progress against this long-term journey plan is reviewed on a regular basis via reporting from our advisers; and
- that the expected return on the Scheme assets is maximised whilst managing and maintaining risk at an appropriate level.

3. Investment strategy

With input from our advisers and in consultation with the employer, we reviewed the investment strategy in November 2024, considering the objectives described in Section 2.

The investment strategy is shown in the following table.

Asset class	Strategic allocation
Global equities	15.0%
Multi-Asset credit ("MAC")	5.0%
Asset-Backed Securities	10.0%
Short duration credit	25.0%
Liability driven investment ("LDI") portfolio (including SLF and Trustee bank account)	45.0%
Total	100.0%

Our policy is to target the maximum expected return level subject to ensuring the level of investment risk is appropriate to reflect the Scheme's circumstances. We believe that the strategy above meets this objective. The Trustee also seeks to mitigate a high proportion of the impact that change to interest rates and inflation may have on the funding position.

There is no formal rebalancing policy. We monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, we will consider with our advisers whether it is appropriate to rebalance the assets.

As the Scheme matures over time, we intend to de-risk the investment strategy to reflect the change in the liability profile (ie switching from growth to matching assets).

We have a leverage management plan in place which sets out the assets directly available to support the Scheme's LDI arrangements and the approach that is expected to be taken with regards to selling down any other assets to support the LDI arrangements. We review and update the plan periodically.

4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.

We take an integrated approach when assessing risk and reviewing the investment strategy. In particular we take account of the employer covenant, contributions, funding targets, liability profile (including interest rate and inflation sensitivities and the extent to which they are hedged) and the level of expected return and risk now and as the strategy evolves.

The primary ways that we manage investment risk is via diversification, ensuring that we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. Investment risk is measured using "Value at Risk". Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in Part 2 of the SIP addendum.

In setting the strategy it is our policy to consider:

- our investment objectives, including the target return required to meet these;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant; and
- the need for appropriate diversification between different asset classes to manage investment risk and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate.

We also consider other factors that we believe to be financially material over time horizons relevant to the funding of the DB benefits, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

Our **key investment beliefs**, which influence the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns.

- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find, and therefore passive management is usually better value.
- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit, and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged, or diversified.
- ESG factors should be considered when making investment decisions, and managers may be able to improve risk-adjusted returns by doing this.
- climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term.
- aligning our assets with net zero greenhouse gas emissions by 2050 where practicable is expected to help reduce the risks to the Scheme from climate change.
- to be effective, a net zero program needs to be consistent with climate science, with both short-term and long-term targets and a focus on real world impacts.
- voting and engagement are important and can create long term value which is in the best interest of Scheme members and therefore we encourage managers to improve their voting and engagement practices.
- collaborative investor action can help address systemic risks, for example we believe net zero alignment, if implemented well, could be an effective approach to addressing climate risk.

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high

quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6. Realisation of investments

For the Scheme, we instruct disinvestments as required for benefit payments and other outgoings. Our preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid. In general, our policy is to use cash flows to rebalance the assets towards the strategic asset allocation, and also receive income from some of the portfolios where appropriate.

7. Financially material considerations and non-financial matters

We consider how ESG considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

We influence the Scheme's approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and review how the managers are taking account of these issues in practice.

We encourage our managers to improve their ESG practices, although acknowledge that we have limited influence over managers' investment practices where assets are held in pooled funds and that the parameters of some pooled funds may limit the scope for significant incorporation of ESG factors.

Our ambition is to align our assets with net zero greenhouse gas emissions by 2050 through selecting managers, and investing in funds, with credible net zero targets.

We have chosen to invest part of the equity allocation in passively managed funds that tracks an index with reduced exposure to climate-related risks and increased exposure to climate-related opportunities.

We do consider matters that are purely non-financial in nature (eg matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments. However, the line between financial and non-financial factors is not always clear and some non-financial factors that may not immediately present as financially material may have the potential to become so in the future. We keep this under review as part of our overall consideration of ESG considerations.

8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of our members.

We seek to appoint investment managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors. We expect the managers to undertake voting and engagement in line with their stewardship policies, considering the long-term financial interests of investors.

As our investments are held through managers or pooled funds we do not monitor or engage directly with issuers or other holders of debt or equity.

We have selected priority ESG themes to provide a focus for our monitoring of investment managers' voting and engagement activities. These are:

1. Climate change;
2. Diversity, equity and inclusion; and
3. Corporate transparency

We communicated these stewardship priorities to our managers.