

Implementation Statement

Arcadia Group Pension Scheme

Purpose of this statement

This implementation statement has been produced by the Trustee of the Arcadia Group Pension Scheme (“the Scheme”) to set out how the Trustee’s policies on exercising rights (including voting rights) and engagement activities have been followed over the 12-month period to 30 September 2025.

How voting and engagement policies have been followed

Based on the information provided by the Scheme’s investment managers, the Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Scheme delegates responsibility for carrying out voting and engagement activities to the Scheme’s fund managers.
- The Scheme’s assets are held as a bulk annuity policy, gilts and cash. Given the nature of the current holdings, the Trustee will review and monitor the ESG policy as they deem appropriate, considering the risks that present themselves.
- The Trustee is comfortable that its Stewardship policies have been met over the period.

Stewardship policy

The Trustee’s Statement of Investment Principles (SIP) in force at February 2023 describes the Trustee’s stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in June 2025 and has been made available online here: <https://arcadiapensions.co.uk/wp-content/uploads/2025/06/2025-06-Arcadia-Group-Pension-Scheme-SIP.pdf>

The Trustee decided not to set stewardship priorities for the Scheme following the completion of a bulk annuity insurance transaction with Aviva. The majority of the Scheme’s assets (c.91% as at 30 September 2025) are held in a bulk purchase annuity policy, with the remaining assets held in gilts and cash. As such, the Trustee has limited ability to influence the voting and engagement activities undertaken.

Voting and Engagement

The cash and gilt funds and annuity policy held by the Scheme with Insight Investments and Aviva respectively have no voting rights attached and limited ability to engage with key stakeholders given the nature of the mandates.

Engagement activities are limited for the Scheme’s cash and gilt funds due to the nature of the underlying holdings. However, we note that Insight engaged with 686 entities over the year to 30 September 2025 and this gives the Trustee comfort that, as an institution, Insight engages with the entities in which they invest.

For cash funds, most of the engagement occurs at an issuer level and is driven by Insight’s credit analysts in conjunction with their responsible investment team.

We have provided an illustrative example of Insight's engagement activity below for context.

Illustrative engagement example

Affinity Water

Over the year to 30 September 2025, Insight engaged with Affinity Water ("the company"), the UK's largest water-only supplier, as part of Insight's proprietary water risk screening tool designed to evaluate portfolio companies' exposure to water stress. During 2024 and 2025, Affinity Water was identified as a company particularly vulnerable to water stress due to operating in regions of the UK which are particularly susceptible to water scarcity.

In Q2 2025, there was an engagement with the company to raise a concern regarding PFAS contamination, a group of man-made chemicals with potential health and environmental impacts, caused by the company blending water sources to stay within PFAS thresholds as a temporary measure. After this engagement, Affinity managed to receive Ofwat funding to invest in PFAS removal technologies.

Another key engagement topic was to address the company's vulnerability to water scarcity. Affinity addressed this topic twofold – reducing per capita consumption and abstraction reduction management strategy. To reduce per capita consumption, Affinity aims to install 1.5 million smart meters which they project will reduce demand by up to 12%. Additionally, they will focus on halving leakage by using technology such as fibre optics, satellite imagery and digital twins. As part of the abstraction reduction strategy, the company plans to diversify its water supply of chalk aquifers which provide approximately 60% of its water supply by transferring water from the Midlands via canals.

Insight believes the company's approach to water management is robust compared to peers, noting its early PFAS action, investment in advanced technologies, and stakeholder collaboration. However, Insight stresses the need for continued progress on demand management and sustainable abstraction, with ongoing monitoring central to ensuring alignment with regulatory and environmental standards.

This engagement is aligned to SDG 6 (Clean Water and Sanitation), SDG 12 (Responsible Consumption and Production), SDG 14 (Life Below Water) and SDG 15 (Life on Land).

**Prepared by the Trustee of the Arcadia Group Pension Scheme
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