Amey OS Pension Scheme

Statement of Investment Principles

February 2024

Introduction

This Statement of Investment Principles (‘the SIP’) is required under Section 35 of the Pensions Act 1995 (as amended) for the Amey OS Pension Scheme (‘the Scheme’). It describes the investment policy being pursued by the Trustee for each of the three Sections in the Scheme: the Amey Section, the Accord Section and the APS Section. The Trustee believes these are in compliance with the Government’s voluntary code of conduct for Institutional Investment in the UK (’the Myners Principles’) and TPR’s Investment Guidance for defined benefit pension schemes. This SIP also reflects the requirements of Occupational Pension Schemes (Investment and Disclosure)(Amendment and Modification) Regulations 2018.

The Scheme Actuary is Andrew Allsopp of Quattro Pensions Consulting Actuaries (now part of Broadstone Group), and the Investment Adviser is Schroders Solutions (collectively termed ‘the Advisers’).

The Trustee confirms that, before preparing this SIP, they have consulted with Amey Services Limited ('the Sponsoring Employer') and the Scheme Actuary and have obtained and considered advice from the Investment Adviser.

The Trustee is responsible for the investment of the Scheme’s assets and where they are required to make an investment decision, the Trustee always receives advice from the relevant Advisers first. They believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 (‘FSMA’), the Trustee sets general investment policy but has delegated day-to-day investment of the Scheme’s assets to Schroders Investment Solutions Limited (‘Schroders Solutions’, hereafter referred to as the ‘Investment Manager’) and Pension Insurance Corporation PLC (‘PIC’).

The Trustee confirms that this SIP reflects the investment strategy it has implemented for the Scheme. The Trustee acknowledges that it is its responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

Scheme Governance

The Trustee is responsible for the governance and investment of the Scheme’s assets. The Trustee considers that the governance structure is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Manager, PIC or the Advisers as appropriate.

The Trustee will review this SIP at least every three years, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Sponsoring Employer if deemed appropriate. There will be no obligation to change this SIP, the Investment Manager or Adviser as part of such a review.

Suitability

The Trustee has defined the investment objective and investment strategy with due regard to the Scheme’s liabilities. The Trustee has taken advice from the Advisers to ensure that the proposed strategy, and the assets held by the Scheme through that strategy, are suitable given its liability profile, the Trustee’s objectives, legislative requirements, regulatory guidance and specifications in the trust deed and rules governing the Scheme (the Trust Deed).

Statutory Funding Requirement

The Trustee will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet any statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustee will consider with the Investment Adviser and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

Investment Objectives

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. In order to achieve this, in December 2022, the Trustee agreed a low risk investment strategy comprising of a full Scheme buy-in (excluding the active members) with Pension Insurance Corporation plc ("PIC" and "the contract"). Under the terms of the contract, PIC is committed to paying the retirement benefits due to all members and their dependents that were included in the contract.

Given the Trustee no longer requires investment returns in order to meet majority of its outstanding liabilities, the Trustee's objective is no longer framed with reference to a liability-related objective. The Scheme's remaining assets (mainly cash and the residual illiquid assets) are managed by the Investment Advisor on a care and maintenance basis.

The Trustee has given due consideration to the investment strategy of the remaining active members in the Scheme. For these members the assets are invested in a portfolio of physical gilts and cash providing appropriate interest rate and inflation hedging. Given the strong funding position of the active members and the materiality of the associated liabilities the Trustee have agreed to maintain a low-risk strategy for the active members.

Implementation of investment strategy

The Trustee has delegated the investment of the Scheme's remaining assets to Schroders Solutions, on a care and maintenance basis. The Trustee has acknowledged and considered with sufficient diligence the potential conflict that may arise from the Investment Manager and the Investment Adviser being the same organisation.

Monitoring

The Trustee will monitor the performance of the Investment Manager against the agreed performance objectives.

The Trustee, or any other suitably qualified Adviser on behalf of the Trustee, will regularly review the activities of the Investment Manager to satisfy themselves that the Investment Manager continues to carry out their work competently and have the appropriate knowledge and experience to manage the assets of the Scheme.

As part of this review, the Trustee considers whether or not the Investment Managers:

- Is carrying out its function competently.
- Has regard to the need for diversification of investments.

- Has regard to the suitability of each investment and each category of investment.
- Has been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustee is not satisfied with the Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustee's requirements, the Trustee will remove the Investment Manager and appoint another.

Corporate Governance and Stewardship

We note the Scheme's Growth assets were near fully redeemed at the date of this Document and the majority of the Scheme's assets are held in a buy-in policy with PIC and Just

Given the nature of the Scheme's buy-in policies, the Trustee believes it has a limited scope to influence the ongoing stewardship and corporate governance activities of the insurer as a result it will not actively seek to monitor its activities and policies in this area. Should the Trustee be provided with any opportunity which it deems appropriate to engage its insurers in the it will consider this and will outline its views and expectations of the insurers – should it deems this to be appropriate

The policy below applies to the Investment Manager in respect of the residual assets in the Scheme portfolios where applicable.

The Trustee and Investment Manager have agreed an investment/fiduciary management agreement setting out the scope of the Investment Manager's activities, charging basis and other relevant matters. The Investment Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustee has appointed the Investment Manager to implement the Scheme's investment strategy. The Investment Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Managers. The Investment Manager is appointed to carry out its role on an ongoing basis. The Trustee periodically reviews the overall value-for-money of using the Investment Manager, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustee is satisfied that these arrangements incentivise the Investment Manager:

- to align its investment strategy and decisions with the Trustee's] investment policies, such as their return target and the restrictions detailed in the Investment/Fiduciary Management Agreement, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve this medium- to long-term performance. The success of such engagement will contribute to the Scheme's performance, which is measured relative to the Trustee's long-term performance objectives.

The Scheme's investments are generally made via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, is delegated to the Underlying Managers.

The Trustee has delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the Investment Manager. The Trustee does not have its own voting and engagement policies for the Scheme at this time, but it has the responsibility for the voting and engagement policies that the Investment Manager implements on its behalf and reviews these policies from time to time. The Investment Manager has an ESG policy in place which covers both voting and engagement as part of the overall active ownership strategy.

The Trustee undertakes the engagement directly with its Investment Manager who appoint Underlying Managers to carry out engagement with investee companies directly. The Investment Manager set out its voting and engagement priorities which focus on six themes including climate, Natural Capital and Biodiversity, Human Rights, Human Capital Management, Diversity and Inclusion and Corporate Governance. The Trustee has aligned its/their engagement priorities with the Investment Manager's.

The Trustee believes those engagement priorities which have been chosen by the Investment Manager will result in better management of financially-material ESG and climate risks, therefore it is expected to improve the financial outcome of the Scheme which ultimately is in the members and beneficiaries' best interest. The Trustee reviews the voting and engagement activity of the Investment Manager on an annual basis including a review of the annual fiduciary management ESG report and will challenge the Investment Manager as necessary on its stewardship activity.

Realisation of Investments

The majority of the Scheme's assets are held in a buy-in policy which can not be easily realised. However, the buy in policy has been designed with reference to the Scheme's liabilities and will distribute income to meet member benefit payments.

The physical gilt assets ring-fenced for the active members are easily realised and is in line with the Corporate and Trustee intention to transfer the active members into the buy-in policy when possible to do so.

Additional Voluntary Contributions (AVCs)

Under the Scheme's Trust Deed and Rules, members were previously allowed to invest Additional Voluntary Contributions to improve the benefits they receive at retirement. The Trustee has selected a range of investment funds (to allow for portfolio diversification) with AVC providers for the AVCs to be invested in. The AVC providers are Prudential Assurance company Limited, The Equitable Life Assurance Society and Friends Life. Members investing with these AVC providers are responsible for their own investment decisions.

The Trustee reviews these arrangements regularly having regard to their performance, the objectives and the views of the Advisers.

Financially material investment considerations

These considerations which include the below "Risks" can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as "ESG") where relevant. All references to ESG also include climate change.

The Trustee recognises climate change as a systemic, long-term material financial risk to the value of the Scheme's investments.

The Trustee policy is to delegate consideration of financially material factors, including ESG to the Investment Manager who considers these when constructing the portfolio, including looking at Underlying Managers. All references to ESG relate to financial factors only. As part of their ongoing monitoring, the Trustee reviews some key metrics on a regular basis that are provided by the Investment Manager covering ESG which enable them to engage with the Investment Manager and understand the impact of ESG on the portfolio.

Given the nature of the Scheme's buy-in policies, the Trustee believes it has a limited scope to influence the ongoing stewardship and corporate governance activities of the insurer as a result it will not actively seek to monitor its activities and policies in this area. Should the Trustee be provided with any opportunity which it deems appropriate to engage its insurers in the it will consider this and will outline its views and expectations of the insurers – should it deems this to be appropriate.

Risks

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. These risks, and how they are measured and managed, include (but are not limited to):

- **Funding and asset/liability mismatch risk –** the risk that the funding level or the ability to potentially buy out the Scheme's liabilities in the future would be adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
    - Implementing a full buy-in of the Scheme's liabilities ahead of buy-out
    - Retaining assets, in the form of cash and short term sovereign bond funds, in excess of the buy-in policy and the Trustee bank account to preserve the capital value of the surplus ahead of buy-out.
- **Underperformance risk –** the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised by implementing a buy-in policy and retaining additional invested assets in a low-risk asset class (cash and short term sovereign bonds).
- **Concentration risk –** the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets. While the Scheme's invested assets are held entirely in a buy-in policy, this lack of diversification is appropriate given the Scheme's circumstances.
- **ESG Risk** - the risk of adverse performance due to ESG related factors including climate change. This is addressed by the Investment Manager's ESG assessment at the point of investment with Underlying Managers. A summary of the overall ESG characteristics including carbon metrics of the portfolio is included in the quarterly governance report.
- **Accrual Risk** – the risk that the active members are exposed to given the monthly benefit accruals (of the active members) are not transferred to the investment portfolio. This will lead to a slight mis-match between the assets and liabilities. Given the materiality this is acceptable.
- **Organisational risk –** the risk of inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the Investment Manager and Advisers by the Trustee, and of the Underlying Managers by the Investment Manager.
- **Sponsor risk –** the risk of the Sponsoring Employer ceasing to exist which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly reviews the covenant of the Sponsoring Employer.
- **Insurer default/credit risk** - the risk of a default by the bulk annuity provider (buy-in insurer). The Trustee and its risk settlement advisors considered the strength of the insurer before entering into the policy whilst considering the wider regulatory framework within which they are required to operate.

The Trustee will keep these risks and how they are measured and managed under regular review.

Non-financial matters

The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations.

Signed:.. **Date:** 09/02/2024

For and on behalf of the Trustee of the Amey OS Pension Scheme

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