Statement of Investment Principles

Amey OS Pension Scheme

September 2020

1. INTRODUCTION

This document constitutes the Statement of Investment Principles (the SIP) required under Section 35 of the Pensions Act 1995 (the ‘Act’) for the Amey OS Pension Scheme (the Scheme). It describes the investment policy, guidelines and procedures 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’). This SIP has also been drafted in a manner to reflect the requirements of The Occupational Pension Schemes (Investment) Regulations 2005.

In accordance with the Act, the Trustee confirms that, before preparing the SIP, it has obtained and considered written advice from its appointed Investment Advisers and has consulted with Amey plc (the Principal Employer of the Scheme). The Scheme Actuary has also been consulted to ensure that the potential returns available from the investment strategy remain consistent with the assumptions the Trustee has adopted for determination of the Scheme’s Statutory Funding Objective and the associated Recovery Plan to repair the funding shortfall.

The Trustee believes its Investment Adviser is qualified in its ability and practical experience of financial matters and has appropriate knowledge and experience of the investment arrangements that the Scheme requires.

The Trustee is responsible for the investment of the Scheme’s assets and arranges administration of the Scheme. Where it is required to make an investment decision, the Trustee first receives and considers advice from the Investment Adviser. The Trustee believes that this ensures that it is appropriately familiar with the issues concerned.

In accordance with the Financial Services and Markets Act 2000 (FSMA), the Trustee is responsible for setting a general investment policy, but has delegated the day-to-day investment of the Scheme’s assets to the Investment Manager.

The Investment Manager listed in Appendix C is authorised and regulated by the Financial Conduct Authority (FCA) and provides the expertise necessary to manage the investments of the Scheme.

In respect of Additional Voluntary Contributions (“AVCs”) the Trustee holds assets separately from the main fund in the form of individual insurance policies to secure the additional benefits on a money purchase basis for those members who have elected to pay AVCs.

Declaration

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 Investment Adviser, to ensure the assets of the Scheme are invested in accordance with these principles.

Signed KNash Date 10 September 2020

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

2. SCHEME GOVERNANCE

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers the governance structure set out in this SIP to be appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, whilst delegating the day-to-day aspects of investment management to the Investment Adviser and Investment Manager (as set out in Appendix C) as appropriate. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

The Trustee has entered into a Fiduciary Management Agreement with the Investment Adviser to the Scheme and the Investment Manager. The agreement sets out the scope of the Investment Manager's duties, fees and investment restrictions, together with any other relevant matters in relation to the Scheme.

The Investment Manager has been provided with a copy of this SIP and is aware that it 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.

3. INVESTMENT OBJECTIVES

The overall objective of the Scheme is to meet the benefit payments promised in each Section as they fall due. The Trustee has set the following long-term objectives:

1. The acquisition of suitable assets, having due regard to the risks set out in Section 7 of this statement, which will generate income and capital growth to pay, together with deficit repayment contributions from the Principal Employer, the benefits as they fall due.
2. To limit the risk of the assets being assessed as failing to meet the liabilities over the long term having regard to the Statutory Funding Objective (further details at section 8.1).
3. To achieve a return on investments for each Section which, over the long term, is expected to be consistent with meeting the Statutory Funding Objective.

The Trustee aims to meet the long term objectives via the following measures:

- Ensuring the strategic allocation for each Section of the Scheme takes into account the liability profile and the Statutory Funding Objective.
- Monitoring the Investment Manager to ensure that it complies with the investment guidelines set for it and that there is a reasonable expectation that it can meet the required performance objectives going forward.

4. INVESTMENT STRATEGY

4.1 General Policies

The assets are held in three separate portfolios mirroring the three Sections in the Scheme: the Amey Section Portfolio, the Accord Section Portfolio and the APS Section Portfolio.

Within each Portfolio, the Trustee's approach to investment strategy is to allocate the assets into two pools, the Risk Management Pool and the Return Enhancement Pool, and also purchase Bulk Annuities to match particular sets of liabilities. The investment objective is then translated into the strategy and assets are allocated to these three components:

- Risk Management Pool - these investments exist in the portfolio to manage risk relative to the liabilities. Assets in this pool are those which tend to mirror the liabilities by nature and/or term such as fixed interest gilts, index-linked gilts, corporate bonds and liability driven derivative overlays such as interest rate and inflation swaps.

- Return Enhancement Pool - these investments exist in the portfolio to generate return relative to the liabilities without a requirement to closely track liability performance. Assets in this pool include, but are not limited to, equities, property, emerging market debt, high yield bonds, commodities, structured credit instruments, corporate loans and hedge funds.

- Bulk Annuity – this is a contract with an insurer whereby, in exchange for an upfront premium, an insurer commits to make payments to the Scheme in respect of the benefits due to specified members

The Trustee's investment objective for each Section determines the split of assets between these three components and, where applicable, within each component.

4.2 Asset Allocation

The Trustee recognises the importance of asset allocation to the overall investment returns achieved. However, the Trustee also recognises that the asset allocation will change as a result of a range of factors, which include changes in market conditions changing the allocation to different asset types.

In recognition of the risks that asset allocation can imply, there are asset allocation controls in place. These are detailed in the agreements between the Investment Manager and the Trustee (current objectives, guidelines and restrictions as of the date of this SIP are set out in Appendix B).

4.3 Return Objective

A return on investments is required for each Section that, over the long term, is expected to be consistent with the Trustee's goal of meeting the Statutory Funding Objective.

Where the Trustee has felt it appropriate, the Investment Manager has been mandated to invest actively in such a way as is expected to outperform relevant benchmark indices.

5. STRATEGY IMPLEMENTATION

The Investment Manager is appointed to invest the Scheme's assets, excluding Bulk Annuities, through:

- Selecting appropriate pooled funds for each Section of the Scheme.

- Defining the allocations to each fund

- Managing a Liability Driven Investment (LDI) portfolio using suitable pooled funds
- Making changes and adjustments where appropriate.

The performance expectation of this process is delivery of the investment objectives set for each section of the Scheme, as this is consistent with the overall investment objectives set out earlier in the SIP.

During 2016, the Trustee decided to purchase a Bulk Annuity to provide to the Scheme an income flow reflecting the benefits due to most of the pensioners in the Amey and Accord sections and some of the pensioners in the APS section.

5.1 Mandates and Performance Targets

The Trustee has received advice on the appropriateness of the Investment Manager's targets, benchmarks and risk tolerances for each Portfolio from the Investment Adviser and believes them to be suitable to meet the investment objectives of each Section.

The Investment Manager has been mandated by the Trustee to manage the investments under its control, in a particular way, and details of these mandates are given in an agreement under which the Investment Manager is appointed by the Trustee (the Fiduciary Management Agreement).

5.3 Diversification

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk.

The Trustee understands the importance of diversification and, as such, the Investment Adviser is required by the Trustee to ensure the assets are properly diversified. The choice of asset classes as set out in Appendix B is designed to ensure that the Scheme's investments are diversified by type and region.

The range of, and any limitation to the proportion of, the Scheme's assets held in any asset class will be agreed between the Investment Adviser and the Trustee. These ranges and sets of limitations will be specified in the agreements between the Investment Manager and the Trustee and may be revised from time to time where considered appropriate as circumstances change (details of the asset allocations and restrictions as at the date of this SIP are set out at Appendix B). The Trustee also has regard to the investment powers of the Trustee as defined in the Trust Deed.

5.4 Suitability

The Trustee has established a mandate with the specific aim of defining the asset management objective to be directly consistent with the liability driven objectives. As such, it considers the mandate to be suitable.

The Trustee has taken advice from the Scheme's Investment Adviser to ensure that the assets held by the Scheme and the proposed strategy is suitable given its liability profile, the Trustee's objectives, regulatory guidance and specifications in the Trust Deed.

5.5 Journey Plan

The Trustee may agree a Journey Plan for the purpose of de-risking the investment strategy in each Portfolio as the Scheme`s funding level changes, but only if such de-risking does not compromise the achievement of the objectives of the Scheme. Under such a Plan, the Investment Manager will estimate and monitor the funding level and be given discretionary authority to implement strategy changes if certain funding trigger points are reached.

6. MONITORING

6.1 Investment Management

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

6.2 Statement of Investment Principles

The Trustee will review this SIP on a regular basis or following any changes to the investment strategy, and modify it after consultation with the Investment Adviser and the Principal Employer. There will be no obligation to change this SIP or any adviser relationship as part of such a regular review. Following any changes to the investment strategy this SIP will require updating to reflect the revised investment strategy.

6.3 Trustee

The Trustee maintains a record of decisions taken in regard to the investment objectives, guidelines and investment restrictions, together with, where appropriate, the rationale in each case.

7. RISKS

The Trustee recognises there are a number of risks involved with the investment of Scheme assets. The Trustee intends to adopt an investment strategy where the value of assets and liabilities are broadly aligned.

The management of investment risk is a function of the asset allocation and diversification strategies and implementation of that strategy is delegated to the Investment Adviser. The Trustee will monitor and review the Investment Manager's performance on a regular basis. The responsibilities of Trustee, Investment Adviser and Scheme Actuary are set out in Appendix A. Examples of some of the potential risks to the investments are set out in Appendix D.

8. OTHER ISSUES

8.1 Statutory Funding Objective

The Trustee will obtain and consider proper advice on the question of whether the investments and investment strategy of each Section are satisfactory having regard to both the investment objectives and the requirement to meet the Statutory Funding Objective. 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 Objective.

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8.2. Financially material considerations

The Trustee has considered how financially material considerations (including environmental, social and governance ('**ESG**') factors such as climate change) should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members. The Trustee consider that the appropriate time horizon to be 20 to 25 years in the circumstances of a defined benefit scheme with a wide age range of members.

The Trustee has delegated asset manager selection to the Fiduciary Manager. The Fiduciary Manager will seek to appoint asset managers that have appropriate skills and processes to take account of financially material considerations in the selection, retention and realisation of investments, and regularly reviews how its asset managers are doing so in practice. The Trustee expects the Fiduciary Manager to provide updates on the latest position on ESG factors and any material decisions that have been taken by SEI or third party asset managers as a result of considering such issues.

8.3 Non-financially material considerations

The Trustee has decided not to take non-financial considerations into account in the selection, retention and realisation of investments. For this purpose, non-financial matters means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Scheme. In reaching this decision, the Trustee has considered both the challenges of engaging a properly representative sample of members and the strong likelihood of a lack of consensus among those most likely to respond to such a consultation.

8.4 Additional Voluntary Contributions (AVCs)

Some members have obtained further benefits by paying AVCs into the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. The Trustee holds assets separately from the main fund in the form of individual insurance policies. The providers of these policies are shown in Appendix C.

8.5 Realisation of Assets

It is expected that most of the investments in the pooled funds and assets in the segregated account can be readily realised if the Trustee so requires. All derivative transactions have appropriate collateral arrangements in place to protect the Scheme against counterparty risk.

8.6 Custody

The Trustee has appointed SEI as the custodian of the assets managed by the Investment Manager. SEI uses the back-office services of its associate, SEI Private Trust Company (SPTC). SPTC acts as agent for the Investment Manager's associate, SEI Global Nominee Limited who holds the client assets of SEI.

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8.7 Use of Derivatives

Derivatives or other financial instruments may be used within the pooled funds to assist in the hedging of the Scheme's liability risks (principally interest rate, inflation and longevity risks) or other risks (e.g. equity or currency risks) or for the purposes of Efficient Portfolio Management.

At any given time a minimum level of assets of sufficient liquidity and quality will be held within the funds to ensure that collateral or margin calls, which may arise as a result of the derivatives positions held, can be met.

8.8 Borrowing

The Trustee does not intend to borrow or allow borrowing on behalf of the Scheme.

8.9 Conflicts of Interest

The Trustee will ensure that any conflicts of interest are managed at all times in the best interests of the Scheme. Furthermore, in its oversight of the Investment Adviser, the Trustee will consider any potential conflicts of interests between the Investment Adviser (detailed in Appendix A) and, if applicable, its investment management business.

8.10. Stewardship & Voting rights

The Scheme's investments are achieved 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, social, ethical or environmental factors, is delegated to SEI, or in the case of a third party pooled fund, its investment manager

The management of the Trustee's policy in relation to the exercise of rights (including voting rights) and other engagement activities in respect of an investment is as follows:

- Voting decisions on stocks are delegated to investment manager of the pooled fund. Where this is SEI, SEI has pooled the holdings in their funds with other investors and employed a specialist ESG provider for voting and engagement services. The Fiduciary Manager is also a signatory to the UK Stewardship Code issued by the Financial Reporting Council. The Fiduciary Manager will report on voting and engagement activity to the Trustee on a periodic basis together with its adherence to the UK Stewardship Code.

- SEI, or the investment manager of a third party pooled fund, has full discretion for undertaking engagement activities in respect of the investments:

    (a) with relevant persons (which term includes (but is not limited to) an issuer of debt or equity, an investment manager , another stakeholder or another holder of debt or equity);

(b) about relevant matters including (but not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

Responsibility for monitoring the above is delegated to the Fiduciary Manager who will report on such activity on a periodic basis and raise concerns with the Trustee on an ongoing basis.

9. Asset manager arrangements

Incentivising managers to align with Trustee's investment strategy

The Fiduciary Manager is incentivised to align its investment strategies with the Trustee's policies mentioned in this SIP through the terms set out in the Fiduciary Management Agreement and through the Trustee setting investment objectives which are reviewed annually. The Trustee will monitor performance quarterly and assess performance against these investment objectives annually. Such review will also include how well the Fiduciary Manager is aligned with the SIP, including in terms of ESG factors and the quality of service provided.

SEI engages third party asset managers either through the use of third party pooled funds or through the appointment of asset managers within multi-manager pooled funds. The Fiduciary Manager is responsible for fee arrangements with asset managers, the costs of which are borne directly by the Scheme. SEI will monitor the asset managers' performance on an ongoing basis against the particular investment strategy and objectives agreed with that manager. Where an asset manager is not performing or acting in a manner SEI feels is appropriate it may ultimately result in the termination of their mandate.

The fees paid to the Fiduciary Manager 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 the Scheme.

Medium to long term and non-financial performance

Performance in the medium to long term can be improved where asset managers (i) make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity; and (ii) engage with issuers of debt or equity. The Trustee have delegated this to SEI and will monitor performance against this.

As described above, where an asset manager is not performing or acting in a manner SEI feels is appropriate it may ultimately result in the termination of their mandate.

The fees paid to the Fiduciary Manager 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 the Scheme.

Monitoring portfolio turnover and costs

The Trustee has delegated the monitoring of the costs incurred by asset managers in the buying, selling, lending or borrowing of investments to the Fiduciary Manager.

The Trustee recognises that portfolio turnover (being the frequency with which the assets are expected to be bought/sold) and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the Fiduciary Manager. However, the Fiduciary Manager will incorporate portfolio turnover and resulting transaction costs in its advice on the Scheme's investment mandates. When the Trustee agrees a particular strategy and investment mandate, this will then set an expected level of turnover and transaction costs. The Trustee reviews and monitors the actual level of the costs and turnover against this expected level.

Monitoring manager performance and remuneration

The Trustee will monitor performance quarterly and assess performance against the Fiduciary Manager’s objectives annually. Such review will also include how well the Fiduciary Manager is aligned with the SIP, including in terms of ESG factors and the quality of service provided and will also include a review of actual fees paid relative to expected and contractual fee levels. In terms of third party asset managers appointed by the Fiduciary Manager, SEI will monitor the managers' performance and fees on an ongoing basis against the particular investment strategy, objectives and fee arrangements agreed with that manager. As such the third party asset managers are not monitored directly against the requirements of the SIP.

Duration of asset manager agreements

The agreement with the Fiduciary Manager has an indefinite term but can be terminated by the Trustee giving one month’s notice. The Scheme does not have any direct agreements with third party managers used by the Scheme.

Appendix A- Responsibilities

Trustee

The Trustee of the Scheme is responsible for, amongst other things:

i. Determining the investment objectives of each Section of the Scheme and reviewing these from time to time.

ii. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.

iii. Reviewing regularly the content of this SIP and modifying it if deemed appropriate, in consultation with the Investment Adviser.

iv. Reviewing the suitability of the investment policy for each Portfolio following the results of each actuarial or investment review, in consultation with the Investment Adviser.

v. Assessing the quality of the performance and process of the Investment Manager by means of regular reviews of the investment results and other information, by way of meetings and written reports.

vi. Assessing the ongoing effectiveness of the Investment Adviser.

vii. Consulting with the Principal Employer when reviewing investment policy issues.

viii. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.

ix. Advising the Investment Adviser of any changes to Scheme benefits and significant changes in membership.

Investment Adviser

The Investment Adviser will be responsible for, amongst other things:

i. Participating with the Trustee in review of this SIP, together with the provision of advice to the Trustee regarding the appropriateness of the SIP in describing the investment strategy.

ii. Advising the Trustee how changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.

iii. Advising the Trustee of changes in the investment environment that could either present opportunities or problems for the Scheme.

iv. Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation policy and current funds the Scheme is invested in, as appropriate.

v. At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the stated objective.

vi. Providing the Trustee with sufficient information each quarter to facilitate the review of its activities, including:

- A report of the strategy followed during the quarter.

- The rationale behind past and future strategy.
- A full valuation of the assets and a performance summary.

vii. Informing the Trustee, to the extent that the Advisor becomes aware, of:

- A breach of this SIP that has come to their attention.
- Any serious breach of internal operating procedures.
- Any material change in the knowledge and experience of those involved in managing the Scheme's investments.
- Any breach of investment restrictions agreed between the Trustee and the Investment Manager from time to time.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i. Liaising with the Investment Adviser on the suitability of the Scheme's investment strategy.
ii. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.
iii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.
iv. Advising the Trustee, and the Investment Adviser of any changes to contribution levels and funding level.
v. Valuing on a periodical basis any bulk annuities held by the Scheme.

Custodian

The Custodian will be responsible for, amongst other things:

i. Safe-keeping and administration of all the directly held assets.
ii. Collecting income from assets and transferring it to the Trustee.
iii. Processing all tax reclaims in a timely manner.
iv. Reconciling records of assets.

Investment Manager

The Investment Manager's primary role is the day to day investment management of the Scheme's investments. The Investment Manager is authorised under the Financial Services and Markets Act 2000 to carry out such activities.

Appendix B - Investment Objectives, Guidelines and Restrictions

The Investment Manager will manage each Portfolio on a discretionary basis in accordance with the Investment Policy Statement in the FMA and as described in this Appendix. The Portfolios will be invested in accordance with the allowable asset allocation ranges shown below for each and in the Target Funds set out in the table below for each Section. In addition the Trustee has mandated the Investment Manager to target a hedge ratio, being the percentage of interest and inflation rate risk in the liabilities that is matched by the assets. As set out in Paragraph 5.5 the Trustee may implement a Journey Plan. The Journey Plan sets out how the strategic asset allocation will be adjusted over time to reduce risk as and when the funding level is at such levels that such de-risking will allow the Scheme to remain on target for achievement of its funding objectives.

The primary objective of the Trustee for all three Sections is to improve the funding level on a Technical Provisions basis (as defined in the Pensions Act 2004) and over the longer term achieve full funding on a Self-Sufficiency basis, such basis being one where a low level of investment risk is required.

Table A – High Level Asset Allocation

Category	Allowable Range		
	Amey Section	**Accord Section**	**APS Section**
RETURN ENHANCING POOL	**25% - 45%**	**40% - 60%**	**40% - 60%**
Equities and Dynamic Asset Allocation	10% - 30%	21% - 41%	10% - 35%
Alternatives	5% - 25%	9% - 29%	15% - 40%
RISK MATCHING POOL	**55% - 75%**	**40% - 60%**	**40% - 60%**

The Trustee has also determined that it wishes to reduce the interest rate and inflation risk exposure of the Scheme by engaging in an LDI Strategy to target the hedge ratios shown in Table B.

Table B – Hedge Ratios

Risk	Target Hedge Ratio		
	Amey Section	Accord Section	APS Section
Interest Rate Risk (effective % of interest rate sensitivity in the assets that the Portfolio should match[1])	95%	90%	90%
Inflation Rate Risk (effective % of inflation rate sensitivity in the assets that the Portfolio should match[1])	95%	85%	85%

[1]If assets exceed liabilities on a self-sufficiency basis then this will be as % of the interest rate risk in the liabilities
[2]If assets exceed liabilities on a self-sufficiency then this will be as % of the inflation rate in the liabilities

The Hedge Ratios will be adjusted quarterly should any ratio vary from its target by more than 10%.

The table below outlines the Target Funds permitted for inclusion in the Portfolios together with the relevant benchmarks for reporting purposes and the target allocation as at the date the current strategy was implemented. The Portfolio may include other pooled investments that the Investment Manager deems suitable for the Scheme

Table C – Target Asset Allocation

	Benchmark	Target Allocation		
		Amey Section	**Accord Section**	**APS Section**
Return Enhancement – Equities				
SEI Dynamic Asset Allocation Fund	FTSE 100 Index	5.5%	4.0%	4.0%
SEI US Small Companies Fund	Russell 2500 Index	1.0%	2.5%	2.0%
SEI Pan Europe Small Cap Equity Fund	MSCI Europe Small Cap Index	1.0%	2.5%	2.0%
SEI Emerging Markets Equity Fund	MSCI Emerging Markets Equity Index	1.5%	4.0%	3.0%
SEI Global Managed Volatility Fund	MSCI World Index	-	-	5.0%
SEI Global Select Equity Fund	MSCI World Index	11.0%	18.0%	9.0%

Benchmark		Target Allocation		
		Amey Section	Accord Section	APS Section
Return Enhancement – Alternatives				
SEI Emerging Markets Debt Fund	50% JPM EMBI Global Diversified Index / 50% JPM GBI-EM Global Diversified Index	4.0%	6.0%	1.5%
SEI High Yield Fixed Income Fund	B of A Merrill Lynch US High Yield Master II Constrained Index (GBP hedged)	4.0%	6.0%	1.5%
SEI Structured Credit Fund	B of A Merrill Lynch 3 Month Constant Maturity LIBOR	3.5%	2.0%	-
M&G Inflation Opportunities Fund	Representative Index	-	-	18.5%
Hayfin Direct Lending Fund II	Representative Index	-	-	3.5%
SEI UK Property Fund	IPD UK Property Index	3.5%	5.0%	-
Risk Management				
LDI Strategy: Funds that are for the purpose of achieving the Hedge Ratio in Table B including: SEI UK Credit Fixed Income Fund SEI UK Gilts Fixed Income Fund SEI UK Long Duration Gilts Fund SEI UK Index Linked Gilts Fund SEI UK Long Duration Index Linked Fixed Interest Fund Liquidity funds and other third party LDI funds managed inside or outside the SEI group of companies	LDI Benchmark	65.0%	50.0%	50.0%

Appendix C

Scheme Actuary:

Andrew Allsopp, Quattro Pensions Consulting Actuaries

Investment Adviser:

SEI Investments (Europe) Limited

Investment Manager:

SEI Investments (Europe) Limited

AVC Providers

Prudential Assurance Company Limited
The Equitable Life Assurance Society
Friends Life

Appendix D

The Trustee recognises that the following are some of the risks involved in the investment of assets of the Scheme:

- **Cashflow risk**
  The risk of a shortfall of liquid assets relative to the immediate liabilities. The Trustee and its advisers will manage the Scheme's cash flows taking into account the timing of future payments, and may borrow over the short-term in order to minimise the probability that this occurs.

- **Financial mismatching risk**
  The risk of a significant difference in the sensitivity of asset and liability values to changes in financial factors, in particular inflation and interest rates. The Trustee will control these risks by monitoring their key characteristics and setting appropriate tolerances.

- **Demographic risk**
  Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustee has considered options for managing demographic risks. During July 2016, the Trustee completed a buy-in of some of the Scheme's liabilities in respect of retired members, whereby the benefit payments will still be made from the Scheme but the insurer has committed to meeting all of the investment and demographic risks in respect of these liabilities. The Trustee will continue to monitor the feasibility and attractiveness of such options. The Trustee will measure liabilities using mortality assumptions recommended by the Scheme Actuary.

- **Manager risk**
  The failure by the Investment Manager to achieve the rate of investment return assumed by the Trustee. This issue has been considered by the Trustee on the initial appointment of the Investment Manager and thereafter will be considered as part of the investment review procedures the Trustee has put in place.

- **Concentration risk**
  The risk that the performance of any single asset class or single investment that constituted a significant proportion of the assets would disproportionately influence the Trustee's ability to meet the objectives. The Trustee has set diversification guidelines for the Investment Manager to mitigate this risk.

- **Credit Risk**.
  The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation**.** The Trustee limits the risk by restricting the Scheme's exposure to investments with a high credit risk and by ensuring that credit risk is well diversified across a number of counterparties.

- **Market risk**. The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risk:

  1. **Interest rate risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates

or inflation rates. In setting the investment strategy the Trustee has taken account of the interest rate and inflation sensitivity of the liabilities and then determined the extent to which it is appropriate and possible for these sensitivities to be matched by the assets, given the overall objective of the Scheme. The Trustee will monitor the performance of the assets relative to the liabilities with particular regard to the impact of interest rate and inflation rates.

2. **Currency risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trustee limits the risk by ensuring that only a proportion of the Scheme's assets are invested in assets that are denominated in currencies other than in the currency of the liabilities unless the currency risk is hedged.

3. **Other price risk.** The risk that the fair value or future cash flows of a financial instrument will fluctuate because of other market changes (other than those arising from interest rate and currency risk) whether those changes are specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Trustee seeks to reduce the impact of price risk through investing in a diverse portfolio of asset classes with due consideration to the correlation of the value of different asset classes to each other in different market conditions. The Trustee also seeks to avoid investing in asset classes where the price risk is unrewarded.

- **Transition risk**
  The risk of incurring inappropriate costs in relation to the transition of assets from one Investment Manager to another or the movement of assets between different pooled funds. The Trustee will mitigate this risk by ensuring it is informed of any costs before they occur and by monitoring the actual cost against that expected.

- **Custody risk**

  The Trustee will assess and consider the actions of the custodian of the Scheme's assets at the outset and on an ongoing basis to mitigate the risk of misappropriation of assets, delivery that is not in accordance with the instructions, unauthorised use of assets for the benefits of other customers of the custodian, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events and custodian default.

  The Custodian ring fences the Scheme assets from its own assets and those of its other clients.

- **Derivative risk**

  Where derivatives are used by the Scheme, the Scheme will have additional risk with the counterparty to that derivative. These risks will be managed through the use of collateral arrangements.

The Trustee will keep these risks under regular review.