

Registered numbers:	Amey Section	19018801
	Accord Section	19018802
	APS Section	19018803
	Overall Scheme	10225287

AMEY OS PENSION SCHEME

Report and financial statements

Year ended 30 September 2022

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

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Trustee and Advisers

Trustee:	ZEDRA Governance Limited (formerly PTL Governance Limited)
Scheme Actuary:	A Allsopp F.I.A. Broadstone Pensions Limited
Independent Auditor:	Grant Thornton UK LLP
Investment Managers:	Schroders Solutions M&G Investment Hayfin Capital Management
Annuity Policy Provider	JUST PIC (with effect from 14 December 2022)
Investment Custodians:	Schroders Solutions
Investment Consultant:	Schroders Solutions
AVC Provider:	Prudential Assurance Company Limited Utmost Life and Pensions Limited Legal and General
Legal Advisers:	Squire Patton Boggs
Scheme Administrator:	Railpen Limited
Banks:	Royal Bank of Scotland
Life Assurance Company:	Legal & General Assurance Society Limited
Principal Employer:	Amey Plc (from 21 November 2022 the company changed its name to Amey Limited. Throughout the rest of these financial statements the principal employer will be referred to as Amey Plc)
Participating Employers:	Amey Services Limited

Contact for further information and complaints about the Scheme:

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Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Trustee's Annual Report

Introduction

The Trustee of the Amey OS Pension Scheme (the "Scheme") is pleased to present its report together with the financial statements for the year ended 30 September 2022. The Scheme is a Defined Benefit scheme.

Management of the Scheme

Under the Rules of the Scheme, which comply with the Occupational Pension Schemes (Member Nominated Trustees and Directors) Regulations 2006, there are normally five Trustees, two of whom are member nominated unless a Corporate Body is appointed as Trustee to the Scheme.

During the year under review, the Trustee of the Scheme was a corporate body – ZEDRA Governance Limited ("ZEDRA")

ZEDRA acts through its Directors. The Directors who served during the year, or that have been appointed since the Scheme year end, were:

David Archer (resigned 01 March 2023)
Richard Butcher (resigned 01 November 2022)
David Hosford (resigned 20 December 2021)
Dawn Harris (appointed 01 November 2022)
Kim Nash
Colin Richardson
Ruston Smith (resigned 01 March 2023)
Alison Bostock

In accordance with the Trust Deed, the Principal Employer, Amey plc has the power to appoint and remove the Trustee of the Scheme.

During the year the Trustee held four meetings (additional meetings for specific projects were held throughout the year).

Communication with Members

The Trustee issues a newsletter to the membership annually, which provides an overview of events that have taken place during the year and upcoming events in relation to the Scheme. Members are encouraged in the Newsletter to raise any comments directly with the Administrator. No newsletter was issued during the accounting period with the last newsletter having been issued to the members in August 2021. The 2022 newsletter was delayed due to the sale of the Company and the completion of the buy-in with PIC and was issued in April 2023.

The Scheme does have a member website (<https://my-amey-os-pension.com/>) which the Trustee frequently updates with information for the membership.

Employer guarantees

Amey UK Plc provided a guarantee of £10m to the Amey Section on 30 June 2012 and was due to expire on 31 December 2020 (following a previous extension from December 2019). On 11 December 2020, Amey UK Plc confirmed that they would further extend the guarantee until 31 December 2021. The APS Section had been provided with an £80m guarantee that expires on 30 June 2024, and the Accord section with a £23m guarantee that expires in April 2030. The Company and the Trustee are in the process of discussing the guarantees available to the Scheme and this being the case, the Company confirmed on 15 December 2021 that the Amey Section guarantee would be further extended until 30 April 2022.

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Trustee's Annual Report (continued)

Employer guarantees (continued)

During the Scheme Year the guarantee position was reviewed as part of the buy-in process and it was agreed that the current overall guarantee cap (£113 million – the APS Section was provided with an £80m guarantee that expired on 30 June 2024, and the Accord section with a £23m guarantee that expired in April 2030, less any Escrow balance), which was fixed up to and including the 2026 valuation and thereafter i.e. from 30 September 2029, the cap was due to be reset by reference to the funding deficit using a discount rate of Gilts + 0.25%, (with a ceiling of the current £113 million cap), less the Escrow account.

Following the completion of the buy-in of benefits with PIC that was concluded in December 2022, the Guarantee cap was reduced to £25 million. The separate evergreen Section 75 Guarantee for the Accord Section remains in force.

All of the guarantees in place cover present and future obligations of the respective sections.

GMP Equalisation

In October 2018, the High Court determined that benefits built up between May 1990 and April 1997 must be recalculated for both men and women to remove the inequality. This is known as Guaranteed Minimum Pension Equalisation ("GMP Equalisation"). Under the ruling, where an uplift to benefits is necessary, schemes are required to backdate benefit adjustments in relation to GMP Equalisation and, where the benefits are already in payment, provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and, therefore, have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year in which they are determined. The Trustee has been liaising with the advisers over the course of the year to review the data requirements and the approach that will be taken in respect of GMP Equalisation. A further update will be made available in next year's accounts and communications will be issued to members when appropriate.

On 20 November 2020, the High Court handed down a further judgement on the GMP Equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgement in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgement confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The Fund may have experienced historical transfers out which might be subject to adjustment as a result of this second ruling. The Trustee will be considering this at a future meeting and decisions will be made as to the next steps.

Trustee Knowledge and Understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective in November 2009. The Trustee is a professional trustee who maintains a training log and has agreed a training plan to enable them to meet the identified requirements.

Governance and Risk Management

The Trustee has in place a business plan which sets out its objectives in areas such as administration, investment, funding and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustee run the Scheme efficiently and serves as a useful reference document.

The Trustee regularly reviews its risk register to ensure that controls are in place to monitor the key risks to which the Scheme is subject and that actions are identified to mitigate these risks.

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Trustee's Annual Report (continued)

Internal Dispute Resolution

The Trustee has a dispute resolution procedure which is available to any member or dependant. No complaints were raised during the year under this procedure.

Report to the Pensions Regulator

The Trustee has continued to be in regular correspondence with the Pensions Regulator during the year in respect of the Covenant and sale of the Company. Information provided was at a high level and there are no current perceived issues.

Principal Employer

The registered address of the Principal Employer is Amey plc, Chancery Exchange, 10 Furnival Street, London, EC4A 1AB.

Financial Development

The financial statements on pages 25 to 54 have been prepared and audited in accordance with the Regulations made under Sections 41(1) and (6) of the Pensions Act 1995. They show that the value of the Fund decreased from £673,793,000 at 30 September 2020 to £447,947,000 at 30 September 2022.

Transfer Values

Cash equivalents paid during the year with respect to transfers have been calculated and verified in manner prescribed by the Pension Schemes Act 1993 and do not include discretionary benefits.

Going concern and consideration of macro-economic events

The process that the Trustee adopts in considering going concern and any material uncertainties in relation to going concern include ensuring a recovery plan is in place following each triennial valuation, assessing the employer covenant on an ongoing basis and considering whether there any other factors that could impact this assessment.

In order to be able to make this assertion, the following key factors have been considered relevant:

- Employer Covenant
- Scheme cashflow forecasts
- Liquidity of assets
- Scheme funding levels
- Wind up/trigger events
- Review of contributions in line with recovery plan / Schedule of Contributions
- Catastrophic events

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Trustee's Annual Report (continued)

Going concern and consideration of macro-economic events (continued)

The following evidence supports this assessment and has been provided to the auditors.

- Actuarial valuation and recovery plan for each section as at 30 September 2020
- Annual Funding Update for each section as at 30 September 2021
- Funding update as part of the buy-in process
- Schroders (formerly River & Mercantile) quarterly performance update reports and monthly dashboards
- Employer covenant assessment / Minutes of discussions of the employer assessment
- Dashboard / Company Accounting provided at Trustees meetings
- Decision made to buy-in the benefits of all three sections of the Scheme with PIC (post year end event)

The Trustee therefore concludes that it is reasonable to produce financial statements for the Amey OS Pension Scheme on a going concern basis.

REPORT ON ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

AMEY SECTION

The last full actuarial valuation of the Amey OS Pension Scheme (Amey Section) was 30 September 2020.

Assumptions and method

The valuation method used by the Scheme Actuary is the Projected Unit Method.

The assumptions are based on the method specified in the Trustee's Statement of Funding Principles, with financial assumptions updated to reflect market conditions at the relevant date. The changes made to key financial assumptions are as explained below.

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Trustee's Annual Report (continued)

A summary of the assumptions used for the actuarial valuation as at 30 September 2020 is set out in the following table, with the previous actuarial valuation assumptions shown for comparison:

Assumption	30 September 2020	30 September 2017
Discount Rate	2.60%	3.30%
RPI Inflation		
- Before retirement	3.10%	3.00%
- After retirement	3.10%	3.40%
CPI Inflation		
- Before retirement	2.20%	2.10%
- After retirement	2.20%	2.50%
Pension increases		
- RPI Max 5%	2.90%	3.10%
- CPI Max 3%	1.80%	2.00%

Demographic Assumptions		
Retirements	Tranched based on NPA	
Proportion taking tax free cash	All members taking 75% of maximum permitted cash at retirement	
Proportion married	75% at retirement or earlier death (husband 3 years older than wife)	
Mortality improvements	100% S3 PXA tables	105% S2PXA tables
Mortality improvements	CMI 2019 projections, long term improvement rate 1.5% pa	CMI 2016 projections, long term improvement rate 1.5% pa

Results

The following table shows the results of the triennial valuation at 30 September 2020 together with the results of the funding update as at 30 September 2021:

	30 September 2021 (£)	30 September 2020 (£)
Technical Provisions*	24,258,748	26,566,000
Assets	36,746,000	36,619,000
Surplus / (Deficit)	12,487,252	10,053,000
Funding Level	151%	138%

* "Technical Provisions" is the estimate of the amount of money needed in the Scheme to provide Scheme benefits, assessed on a prudent basis according to the Statement of Funding Principles.

Included in the results of the 2020 valuation for the Amey section is an allowance for an estimate of the cost of GMP equalisation equal to 0.2% of the value of the section reserves.

The next full triennial valuation of the Section will be as at 30 September 2023.

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Trustee's Annual Report (continued)

ACCORD SECTION

The last full actuarial valuation of the Amey OS Pension Scheme (Accord Section) was 30 September 2020.

Assumptions and method

The valuation method used by the Scheme Actuary is the Projected Unit Method.

The assumptions are based on the method specified in the Trustee's Statement of Funding Principles, with financial assumptions updated to reflect market conditions at the relevant date. The changes made to key financial assumptions are explained below.

A summary of the assumptions used for the actuarial valuation as at 30 September 2020 is set out in the following table, with the previous actuarial valuation assumptions shown for comparison:

Assumption	30 September 2020	30 September 2017
Discount Rate	2.60%	3.30%
RPI Inflation		
- Before retirement	3.10%	3.00%
- After retirement	3.10%	3.40%
CPI Inflation		
- Before retirement	2.20%	2.10%
- After retirement	2.20%	2.50%
Pension increases		
- RPI Max 5%	2.90%	3.10%
- CPI Max 3%	1.80%	2.00%

Demographic Assumptions		
Retirements	Tranched based on NPA	
Proportion taking tax free cash	All members taking 75% of maximum permitted cash at retirement	
Proportion married	75% at retirement or earlier death (husband 3 years older than wife)	
Post-retirement mortality	100% S3PXA tables	105% S2PXA tables
Mortality improvements	CMI 2019 projections, long term improvement rate 1.5% pa	CMI 2016 projections, long term improvement rate 1.5% pa

Results

The following table shows the results of the triennial valuation at 30 September 2020 together with the results of the funding update as at 30 September 2021:

	30 September 2021 (£)	30 September 2020 (£)
Technical Provisions*	67,949,775	72,284,000
Assets	94,539,000	87,802,000
Surplus / (Deficit)	26,589,225	15,518,000
Funding Level	139%	121%

* "Technical Provisions" is the estimate of the amount of money needed in the Scheme to provide Scheme benefits, assessed on a prudent basis according to the Statement of Funding Principles.

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Trustee's Annual Report (continued)

Included in the results of the 2020 valuation for the Accord section is an allowance for an estimate of the cost of GMP equalisation equal to 0.2% of the value of the section reserves.

The next full triennial valuation of the Section will be as at 30 September 2023.

APS SECTION

The last full actuarial valuation of the Amey OS Pension Scheme (APS section) was 30 September 2020.

Assumptions and method

The valuation method used by the Scheme Actuary is the Defined Accrued Benefit Method.

The assumptions are based on the method specified in the Trustee's Statement of Funding Principles, with financial assumptions updated to reflect market conditions at the relevant date. The changes made to key financial assumptions are explained on the following page.

A summary of the assumptions used for the actuarial valuation as at 30 September 2020 is set out in the following table, with the previous actuarial valuation assumptions shown for comparison:

Assumption	30 September 2020	30 September 2017
Discount Rate	2.60%	3.30%
RPI Inflation		
- Before retirement	3.10%	3.00%
- After retirement	3.10%	3.40%
CPI Inflation		
- Before retirement	2.20%	2.10%
- After retirement	2.20%	2.50%
Pension increases		
- RPI Max 5%	2.90%	3.10%
- CPI Max 3%	1.80%	2.00%

Demographic Assumptions		
Retirements	Tranched based on NPA	
Proportion taking tax free cash	All members taking 75% of maximum permitted cash at retirement	
Proportion married	75% at retirement or earlier death (husband 3 years older than wife)	
Post-retirement mortality	90% S3PXA year of birth tables	90% S2PXA tables
Mortality improvements	CMI 2019 projections, long term improvement rate 1.5% pa	CMI 2016 projections, long term improvement rate 1.5% pa

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Trustee's Annual Report (continued)

Results

The following table shows the results of the triennial valuation at 30 September 2020 together with the results of the funding update as at 30 September 2021:

	30 September 2021 (£)	30 September 2020 (£)
Technical Provisions*	299,062,815	315,152,000
Assets	404,010,000	387,230,000
Surplus / (Deficit)	104,947,185	72,078,000
Funding Level	135%	123%

* "Technical Provisions" is the estimate of the amount of money needed in the Scheme to provide Scheme benefits, assessed on a prudent basis according to the Statement of Funding Principles.

Included in the results of the 2020 valuation for the APS section is an allowance for an estimate of the cost of GMP equalisation equal to 1.0% of the value of the section reserves.

The next full triennial valuation of the Section will be as at 30 September 2023.

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Trustee's Annual Report (continued)

MEMBERSHIP

Details of the membership of the Scheme are given below:

	Amey Section 30 Sep 2022	Accord Section 30 Sep 2022	APS Section 30 Sep 2022	30Sep 2022	30 Sep 2021
Active members					
Active members at the start of the year	18	7	-	25	50
Adjustment to b/fwd.	-	-	-	-	(13)
Members leaving with preserved benefits	-	(3)	-	(3)	(6)
Members retiring	(4)	(3)	-	(7)	(5)
Death of active member	-	-	-	-	(1)
New members	-	1	-	1	-
Active members at the end of the year	14	2	-	16	25
Pensioners					
Pensioners at the start of the year	334	891	1,595	2,820	2,758
Adjustment to b/fwd.	-	-	-	-	2
Actives retiring	4	3	-	7	5
Deferred into payment	8	37	73	118	85
New dependant pensioners	8	8	22	38	37
Pensioners who died	(15)	(18)	(37)	(70)	(62)
Reinstated child's pension	-	-	-	-	-
Cessation of pension	-	(1)	(1)	(2)	(5)
Pensioners at the end of the year	339	920	1,652	2,911*	2,820
Members with preserved benefits					
Members with preserved benefits at the start of the year	117	567	1,365	2,049	2,132
Adjustment to b/fwd.	-	-	-	-	11
Leavers with preserved benefits	-	3	-	3	6
Death of preserved member	-	(5)	(5)	(10)	(6)
Deferred members becoming pensioners	(8)	(37)	(73)	(118)	(84)
Commutation of benefits	-	(1)	-	(1)	-
Transfers out	-	(2)	(2)	(4)	(10)
Members with preserved benefits at the end of the year	109	525	1,285	1,919	2,049
Total membership at the end of the year	462	1,447	2,937	4,846	4,894

*There are 388 (2021: 363) dependant pensioners within the figures above.

In addition to the pensioner members note above, the Accord Section also includes a further 3 (2021: 3) annuitant pensioners.

The JUST Insurance policy covers the pensions of 242 (Sep 2021: 256) Amey Section pensioners, 594 (Sep 2021: 620) Accord Section pensioners, and 513 (Sep 2021: 524) APS pensioners.

Pensioners include individuals receiving a pension upon the death of their spouse/parent.

The adjustments noted in the table above relate to changes that were notified to the Scheme administrator after the cut-off date for last year's annual report.

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Trustee's Annual Report (continued)

Pension increases

The pension increase rates may differ depending on the elements a pensioner has on their record. Deferred benefits are not increased annually and are revalued at retirement. There were no discretionary increases in the year. Details are as follows:

Non-GMP elements

Benefits are increased by RPI subject to a maximum of 5%. If RPI falls below zero, benefits will not be reduced. Some elements are non-escalating.

GMP elements

For retired members until GMP Age any GMP elements are increased by RPI subject to a maximum of 5%. If RPI falls below zero, benefits will not be reduced.

Once a member has attained GMP Age any Pre 88 GMP element does not increase. Any Post 88 GMP is increased in line with the relevant order made under section 109(3) of the Pension Schemes Act 1993. Currently this is based on the previous September CPI value subject to a maximum of 3%. Dependants of deceased members will also have any Post 88 GMP element increased by the same percentage.

The table on page 12 contains details of the increase rates applicable per element.

Amey OS = all N's, L's, P's

Amey Bali = A8

Amey Accord = A1-A7, A9-A11, H=Pre-RPMI, R=RPMI

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Trustee's Annual Report (continued)**Pension increases (continued)**

Payment elements		Benefit type	Increase	
			Before GMP Age	On or after GMP Age
0112	Pre88 GMP	L1, L2, P1, A1, A2, A9, A10	5%	nil
0113	Post88 GMP	L1, L2, P1, A1,A2, A9, A10	5%	3%
0114	Pre88 GMP	N1, N2, L3, L4, P2, P4, P7, A3, A5, A6, A8	RPI max 5%	nil
0115	Post88 GMP	N1, N2, L3, L4, P2, P4, P7	RPI max 5%	3%
0120	Post88 GMP	A3, A5, A6, A8	RPI max 5%	RPI max 3%
0116	Pre88 GMP	L5, L6, P3, P5, A4	RPI	nil
0117	Post88 GMP	L5, L6, P3, P5	RPI	3%
0121	Post88 GMP	A4	RPI	CPI max 3% **
0118	Pre88 GMP	N3	CPI max 5%	nil
0119	Post88 GMP	N3	CPI max 5%	3%
0122	Pre88 GMP	A7	CPI	nil
0123	Post88 GMP	A7	CPI	CPI max 3% **
			Increase (regardless of GMP Age)	
0150	Pre97 XS	L1, L2, P1, A1, A2, A9, A10	5%	
0151	97-09 XS	L1, L2, P1, A9, A10	5%	
0152	Post09 XS	L1, L2, P1, A9, A10	5%	
0172	97-02 XS	A1 , A2	5%	
0173	Post02 XS	A1 , A2	LPI (RPI max 5%)	
0153	Pre97 XS	N1, N2, L3, L4, P2, P4, P7, A3, A5, A6, A8	LPI (RPI max 5%)	
0154	97-09 XS	N1, N2, L3, L4, P2, P4, P7,	LPI (RPI max 5%)	
0155	Post09 XS	N1, N2, L3, L4, P2, P4, P7, A1, A2	LPI (RPI max 5%)	
0174	Post 97 XS	A3, A5, A6, A8	LPI (RPI max 5%)	
0156	Pre97 XS	L5, L6, P3, P5, A4	RPI	
0157	97-09 XS	L5, L6, P3, P5,	RPI	
0158	Post09 XS	L5, L6, P3, P5,	RPI	
0175	Post97 XS	A4	RPI	
0164	Pre97 XS	N3	CPI max 5%	
0165	97-09 XS	N3	CPI max 5%	
0166	Post09 XS	N3	CPI max 5%	
0167	Pre97 XS	A7	CPI	
0168	Post97 XS	A7	CPI	
0159	AVC /Added Years		nil	
0170	Augmentation benefits		nil	
0171	Transfer In		nil	
0596	Attachment of Earnings		nil	
0200	Non Esc	A11	0%	
0201	5% Xcess	A9, A10, A11	5%	
0202	LPI Xcess	A11	LPI (RPI max 5%)	
0203	GMP	A11		

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Trustee's Annual Report (continued)

Pension increases (continued)

The table below contains details of the increase rates applicable per element for the APS section.

For all Comax members and those Amey DB members who came into payment on or after 1 June 2010, the RPI reference month is September.

For Amey DB members who came into payment before 1 June 2010 and are below GMP Age, the RPI reference month is January. Once GMP age is attained the Post 88 GMP element reverts to using September as the RPI reference month (statutory requirement).

The table below contains details of the increase rates applicable per element for the APS section.

Sept RPI Reference month		Increase	
Payment elements		Before GMP Age	On or after GMP Age
0114	Pre88 GMP	RPI max 5%	Nil
0115	Post88 GMP	RPI max 5%	CPI max 3% *3
		Increase (regardless of GMP Age)	
0111	Non Esc	Nil	
0153	Pre97 XS	RPI max 5%	
0154	97-09 XS	RPI max 5%	
0155	Post09 XS	RPI max 5%	
0161	AVC Esc	lower of RPI or 5%	
0162	Legal & General	unknown @ 07/12/2011 *2	
0560	Overpayment of Pension	Nil	
0596	Attachment of Earnings	Nil	

Jan RPI Reference month		Increase	
Payment elements		Before GMP Age	On or after GMP Age
0214	Pre88 GMP	RPI max 5%	Nil
0215	Post88 GMP	RPI max 5% *1	- n/a -
		Increase (regardless of GMP Age)	
0111	Non Esc	Nil	
0253	Pre97 XS	RPI max 5%	
0254	97-09 XS	RPI max 5%	
0255	Post09 XS	RPI max 5%	
0261	AVC Esc	lower of RPI or 5%	
0162	Legal & General	unknown @ 07/12/2011 *2	
0560	Overpayment of Pension	Nil	
0596	Attachment of Earnings	Nil	

Further Information

Further information about the Scheme is available, on request, to members, their spouses and other beneficiaries. In particular the documents constituting the Scheme, the Rules and a copy of the latest actuarial report and the Trustee's Statement of Investment Principles ("SIP") can be inspected. The SIP can be found on the Scheme website which is my-amey-os-pension.com.

Please contact Matt Riley of ZEDRA whose contact details can be found on page 2 if you require such information.

Amey OS Pension Scheme annual report and financial statements

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Trustee's Annual Report (continued)

INVESTMENT REPORT

General

The Trustee appointed Schroder's Solutions Limited ("Schroders") as fiduciary manager for the assets of the Amey OS Pension Scheme (the "Scheme") in November 2021. In this capacity Schroders provides advice to the Trustee on the long term investment strategy of the Scheme.

The Scheme appointed Schroders (formerly R&M) as the Fiduciary Manager and the assets were transferred over between September and November 2021.

In addition to Schroders the APS Section of the Scheme has appointed M&G Investment and Hayfin Capital Management as investment managers.

In addition to Schroders appointment the Trustee purchased a Bulk Annuity in 2016 with JUST. 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. (Please note Schroders appointment excludes responsibility for the AVC assets and annuity policies).

Following the agreement to the Buy-in policy with PIC, all assets, except those covering the active membership (who are not covered by the buy-in policy), and an amount for the day to day running of the Scheme have been transferred to PIC (a small amount of illiquid assets are also being disinvested to be transferred to PIC). PIC will pay the Scheme an amount each month to cover the payroll. The Trustee is in consultation with Schroders and the Company to determine the investment strategy for the assets outside of the monies held by PIC and JUST.

Statement of Investment Principles

In accordance with the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles, which sets out its policy on investment issues, including risks, diversification of investments and details of the key elements of the investment arrangements of the Scheme.

The Statement of Investment Principles ("SIP") sets out how the Scheme takes into account financially material considerations, including Environmental, Social and Governance ("ESG") factors, in its investment decision making process.

The latest SIP was signed on 17 December 2021 and a copy is included in appendix 2 on pages 72 to 79 of this report. During 2022 the Trustee was in the process of updating the SIP with Schroder but this process was put on hold when the employer put forward the proposal of acquiring a buy in policy. In December 2022 the Trustee completed the acquisition of buy in policy with PIC and are now in the process of working with Schroder to put in place a revised SIP to outline the strategy for the investment of the investment assets remaining in the Scheme in relation to those active members who are not covered by the bulk annuity policy. The updated Statement of Investment Principles will be made available to the membership in due course.

The Trustee has delegated the day to day management of the portfolio to the fiduciary manager. In doing so, the fiduciary manager does not operate an automatic rebalancing policy (on a daily basis) as it would lead to very high and inefficient trading costs. In general rebalancing takes place at +/- 5% versus strategic target, assuming the Scheme does not have any upcoming changes (cash flows or strategic changes) that will impact a rebalance. As this is not automatic, the process of rebalancing is not immediate and may take time.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Trustee's Annual Report (continued)

Investment Manager Arrangements

The Trustee has entered into an Investment Management Agreement with Schroders IS Limited ('Schroders Solutions') as the investment manager of the portfolio of the Scheme's assets and investments.

The Trustee has chosen to implement their investment strategy through Schroders Solutions' Fiduciary Management service, an implemented solution which allows the Trustee to retain ownership of those decisions which have the greatest importance to the Scheme's investment strategy – framing objectives, allocations to on-risk/off-risk assets, risk tolerance – whilst delegating other decisions to Schroders Solutions.

Custodial arrangements

In addition, the Trustee has appointed Schroders Solutions as custodian of the Scheme's assets.

Investment Strategy

The Trustee's long-term objective for the Scheme is to target an investment return objective of approximately 1.0% (Amey Section)/1.8% (Amey Accord Section)/1.8% (APS Section) per annum (net of fees) in excess of the Gilts Liability Benchmark.

Liability Hedging Assets (LHA)

The LHA is invested in a portfolio of directly held gilts, which is expected to move closely in line with the rise and fall in liability values, thus providing a degree of protection to the Scheme's funding position.

The LHA also contains OTC derivatives, which extend the liability matching provided by the gilts to changes in interest rate and inflation expectations.

Cashflow Matching Credit Assets (CMCA)

The CMCA is invested in high quality investment grade credit to efficiently match a proportion of the Scheme's liability cashflows.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Trustee's Annual Report (continued)

Growth Assets (GA)

The GA holds a diverse portfolio of assets that are expected, in the longer term, to exceed the growth in the value of the Scheme's liabilities. The objective for the GA is to achieve a return of at least 4.0% per annum in excess of the return of cash, after the deduction of fees, over rolling three year periods.

During the year, the GA has been invested in a diversified portfolio of equities, global government, high yield, and emerging market bonds, and alternative assets such as hedge funds and leveraged loans.

The following table shows the asset class restrictions of the GA as well as the asset allocation as a proportion of the GA at the current year end:

Asset Class – Amey Section

	<i>Min</i>	<i>Max</i>	<i>30 September 2022 (%)</i>
Equities	20%	65%	36.2%
Property	0%	20%	7.2%
Return Seeking Credit	0%	45%	18.3%
Commodities	0%	15%	0%
Alternatives	0%	40%	17.9%
Cash & Sovereign Bods	0%	40%	20.3%
Equities & Commodities	20%	70%	36.2%
Sub-Investment Grade Debt	0%	30%	2.3%
Equities & Sub-Investment Grade Debt	20%	80%	38.5%

Asset Class – Accord Section

	<i>Min</i>	<i>Max</i>	<i>30 September 2022 (%)</i>
Equities	20%	65%	38.0%
Property	0%	20%	8.1%
Return Seeking Credit	0%	45%	17.3%
Commodities	0%	15%	0%
Alternatives	0%	40%	21.3%
Cash & Sovereign Bods	0%	40%	15.3%
Equities & Commodities	20%	70%	38.0%
Sub-Investment Grade Debt	0%	30%	1.7%
Equities & Sub-Investment Grade Debt	20%	80%	39.7%

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Trustee's Annual Report (continued)

Asset Class – APS Section

	<i>Min</i>	<i>Max</i>	<i>30 September 2022 (%)</i>
Equities	20%	65%	39.2%
Property	0%	20%	0.0%
Return Seeking Credit	0%	45%	20.9%
Commodities	0%	15%	0%
Alternatives	0%	40%	10.7%
Cash & Sovereign Bods	0%	40%	29.2%
Equities & Commodities	20%	70%	39.2%
Sub-Investment Grade Debt	0%	30%	0.0%
Equities & Sub-Investment Grade Debt	20%	80%	39.2%

Please note clean values have been used where applicable. All restrictions expressed as a proportion of the Growth Assets. Currency hedging is not included in the figures above.

Investment Performance

Performance of the Scheme's assets since inception p.a. against the objectives is shown below:

Portfolio Section	Amey Section	Accord Section	APS Section
Growth Assets	-8.1%	-8.3%	-8.6%
Objective	4.0%	4.0%	4.0%
Relative	-12.1%	-12.1%	-12.6%
Total Portfolio	-39.5%	-40.6%	-38.9%
Objective	-35.9%	-36.8%	-35.2%
Relative	-3.6%	-3.8%	-3.7%

Past performance is not a guide to future returns. The value of investments and the income from them can fall as well as rise and you may not get back the full amount originally invested.

Performance is shown net of fees to the extent that fees are paid from assets. 12 Months, 3 and 5 Year returns are not available as the Scheme's inception date into Schroders Solutions' Fiduciary Management Service was 30 November 2021.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Trustee's Annual Report (continued)

Market Background

Global equities fell over the year due to the challenges caused by the war in Ukraine. Concerns over rising inflation led to central banks increasing interest rates and government bond yields rose over the year. Commodity prices soared.

Over the final quarter global share prices were stronger as investors focused on economic resilience and corporate earnings. In bond markets, government bonds outperformed corporate bonds. Markets began to price in a faster pace of interest rate rises in the US. Commodities also saw a positive return as industrial metals gained. US equities were robust despite a weaker November, during which fears over rising cases of the Omicron variant of Covid-19 and the speed of the Federal Reserve's (Fed) asset tapering had weighed. UK and European shares also gained, while emerging market and Asia Pacific ex Japan shares underperformed amid fears that the emergence of the Omicron variant would derail the global economic recovery.

Over the first quarter of 2022, Russia's invasion of Ukraine in late February caused a global shock. The grave human implications fed through into markets, with equities declining and bond yields rising (meaning prices fell). Commodity prices soared given Russia is a key producer of several important commodities including oil, gas, and wheat. This contributed to a further surge in inflation as well as supply chain disruption. Elsewhere, Chinese equities were negatively affected by renewed Covid-19 outbreaks, leading to new lockdowns in some major cities.

US stocks fell in the first quarter of 2022. Russia's invasion of Ukraine drew widespread condemnation and elicited a range of strict sanctions from the US and its allies. The invasion amplified existing concerns over inflation pressures, particularly through food and energy although economic data otherwise remained stable. The Fed raised interest rates by 0.25%, with further hikes expected through the rest of 2022. European shares fell sharply in the first quarter. The region has close economic ties with Ukraine and Russia, particularly when it comes to reliance on Russian oil and gas. UK equities were resilient as investors began to price in the additional inflationary shock of Russia's invasion of Ukraine. The Bank of England increased its base rate by 0.5% over the quarter to 0.75%.

Central banks continued to tighten monetary policy to tackle rising inflation. The Bank of England implemented its fifth rate hike since last year, increasing its interest rate from 0.75% to 1.25%, whilst the Federal Reserve raised interest rates by a total of 1.25% over the quarter. The European Central Bank signalled its intention to raise interest rates in July to control soaring inflation in the eurozone.

UK, US and European equity fell over the quarter as central banks enacted a series of interest rate hikes amid rising recessionary risks. Emerging market equities experienced a correction in Q2, with US dollar strength a key headwind. China generated a positive return as lockdown measures in certain cities were eased and macroeconomic indicators began to pick up.

Global equities fell by c.5% and bond markets were also under pressure in Q3 as investors eyed inflation with caution. The Federal Reserve (Fed) raised the federal funds rate by 75bps to 3.25% in September; the third consecutive 75bps increase. In bond markets, yields rose across the board, especially in the UK, driven by the government's mini budget, which resulted in Bank of England intervention. The UK 20-year gilt yield increased from 2.6% to 4.1%. Sell-offs in both government and corporate bonds picked up speed at the end of Q3. Negative risk sentiment impacted emerging markets and high yield.

Commodities achieved a positive return. Energy was the best performing commodity whilst industrial metals was the worst performer.

Sterling appreciated against the Japanese Yen and the Euro but depreciated against the US Dollar.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Trustee's Annual Report (continued)

Statement of Trustee's Responsibilities

Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging these responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and, if necessary, revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employers in accordance with the schedule of contributions.

Where breaches of the schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and to members.

The Trustee is responsible for the maintenance and integrity of the financial information of the scheme included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Approved by and signed for and on behalf of the Trustee:



.....
Date: 27/4/2023

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Independent Auditor's Report to the Trustee of the Amey OS Pension Scheme

Opinion

We have audited the financial statements of the Amey OS Pension Scheme (the 'Scheme') for the year ended 30 September 2022, which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 September 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulations 3 and 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

In our evaluation of the Trustee's conclusions, we considered the inherent risks associated with the Scheme's operating model including effects arising from macro-economic uncertainties, such as the crisis in Ukraine and the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the Trustee and the related disclosures and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are approved by the Trustee.

The responsibilities of the Trustee with respect to going concern are described in the 'Responsibilities of Trustee for the financial statements' section of this report.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Independent Auditor's Report to the Trustee of the Amey OS Pension Scheme (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee for the financial statements

As explained more fully in the Statement of Trustee's Responsibilities, set out on page 20, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Independent Auditor's Report to the Trustee of the Amey OS Pension Scheme (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Scheme and determined that the most significant are the Pensions Acts 1995 and 2004 and those that relate to the reporting frameworks (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice "Financial Reports of Pension Schemes" 2018 ("the SORP").
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations such as, the Pensions Regulator's Codes of Practice and relevant compliance regulations (including the Annual Pensions Bill and tax legislation) under which the Scheme operates.
- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with management and the Trustee and from inspection of Trustee's board minutes and legal and regulatory correspondence. We enquired about the policies and procedures regarding compliance with laws and regulations with the Trustee.
- We assessed the susceptibility of the Scheme's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements and determined that the principal risks were in relation to the risk of management override of controls through posting inappropriate journal entries to manipulate net assets, valuation of derivative assets and liabilities and the valuation of annuity insurance policy assets using a method not permitted under the SORP.

Our audit procedures involved:

- Evaluation of the design effectiveness of controls that the Trustee has in place to prevent and detect fraud
- Journal entry testing, with a focus on large journals, manual journals, those journals with unusual account combinations or entries posted to suspense accounts;
- Use of our internal experts to challenge the reasonableness of the derivative asset and liabilities valuations at the year end produced by the Trustee's valuation expert.
- Obtaining independent confirmations of material investment valuations and cash balances at the year end.

In addition, we completed audit procedures to conclude on the compliance of disclosures in the report and financial statements with applicable financial reporting requirements.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud and error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Amey OS Pension Scheme annual report and financial statementsYear ended 30 September 2022

**Independent Auditor's Report to the Trustee of the Amey OS Pension Scheme
(continued)**

All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of schemes of a similar size and complexity, appropriate to their role within the team. The engagement team are required to complete mandatory pensions sector training on an annual basis, thus ensuring they have sufficient knowledge and of the sector the underlying applicable legislation and related guidance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to the Trustee in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester 27/4/2023
Date :

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Fund Account for the year to 30 September 2022

	Notes	Amey Section 30 Sep 2022 £000	Accord Section 30 Sep 2022 £000	APS Section 30 Sep 2022 £000	Total 30 Sep 2022 £000	Total 30 Sep 2021 £000
Additions from dealings with members						
Employer contributions		431	402	604	1,437	8,428
Employee contributions		13	4	6	23	43
Total contributions	5	444	406	610	1,460	8,471
Other income	6	-	-	-	-	95
		444	406	610	1,460	8,566
Withdrawals from dealings with members						
Benefits paid or payable	7	(1,397)	(2,997)	(10,879)	(15,273)	(13,465)
Payments to and on account of leavers	8	-	(283)	(702)	(985)	(2,835)
Administration expenses	9	(534)	(582)	(624)	(1,740)	(1,123)
		(1,931)	(3,862)	(12,205)	(17,998)	(17,423)
Net withdrawals from dealings with members		(1,487)	(3,456)	(11,595)	(16,538)	(8,857)
Returns on investments						
Investment income	10	1,191	3,042	13,091	17,324	4,202
Change in market value of investments	11	(17,850)	(42,382)	(164,974)	(225,206)	26,522
Investment management expenses	20	(111)	(269)	(1,046)	(1,426)	(1,749)
Net returns on investments		(16,770)	(39,609)	(152,929)	(209,308)	(28,975)
Net decrease in fund during the year		(18,257)	(43,065)	(164,524)	(225,846)	(20,118)
Opening net assets		53,236	127,082	493,475	673,793	653,675
Closing net assets		34,979	84,017	328,951	447,947	673,793

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Statement of Net Assets Available for Benefits as at 30 September 2022

	Notes	Amey Section 30 Sep 2022 £000	Accord Section 30 Sep 2022 £000	APS Section 30 Sep 2022 £000	Total 30 Sep 2022 £000	Total 30 Sep 2021 £000
Investment assets						
Bonds		13,370	27,382	145,852	186,604	-
Pooled investment vehicles	12	10,583	35,015	150,119	195,717	480,057
Insurance policies	14	11,000	22,500	58,600	92,100	136,170
Derivatives	18	212	997	7,389	8,598	-
AVC investments	13	-	64	1,688	1,752	2,328
Cash and other investment assets	19	1,808	10,078	12,937	24,823	50,392
Total investment assets		36,973	96,036	376,585	509,594	668,947
Investment liabilities						
Derivatives	18	(2,408)	(13,252)	(51,080)	(66,740)	-
Total investment liabilities		(2,408)	(13,252)	(51,080)	(66,740)	-
Total net investments		34,565	82,784	325,505	442,854	-
Current assets	21	549	1,498	4,152	6,199	5,950
Current liabilities	22	(135)	(265)	(706)	(1,106)	(1,104)
Total net assets available for benefits		34,979	84,017	328,951	447,947	673,793

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such liabilities, is dealt with in the Report on Actuarial Liabilities on pages 6 to 10 and the Actuarial Certificates and Statements on pages 56 to 58, these financial statements should be read in conjunction with these reports in order to obtain a full understanding of the financial position of the Scheme.

The notes on pages 27 to 52 form part of these financial statements.

27/4/2023

The financial statements on pages 25 to 53 were approved by the Trustee on.....

Signed for and on behalf of the Trustee:



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Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

1. BASIS OF PREPARATION

The individual financial statements of Amey OS Pension Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice "Financial Reports of Pension Schemes" (Revised June 2018) ("the SORP").

Under the Pension Statement of Recommended Practice, a going concern basis is assumed unless a decision has been made to wind up the Scheme or an event triggering its wind up has occurred. As no such event has occurred or is currently anticipated, these financial statements have been prepared on a going concern basis.

In assessing whether the going concern assumption is appropriate, the Trustee assesses a period of at least 12 months from the date of approval of the accounts, based on information available at the time of approval of the accounts.

Process

The process that the Trustee adopts in considering going concern and any material uncertainties in relation to going concern include ensuring a recovery plan is in place following each triennial valuation, assessing the employer covenant on an ongoing basis and considering whether there any other factors that could impact this assessment.

Assessment of going concern and any material uncertainties

In order to be able to make this assertion, the following key factors have been considered relevant:

- Employer Covenant
- Scheme cashflow forecasts
- Liquidity of assets
- Scheme funding levels
- Wind up/trigger events
- Review of contributions in line with recovery plan / Schedule of Contributions
- Catastrophic events

Evidence

The following evidence supports this assessment and has been provided to the auditors.

- Actuarial valuation and recovery plan for each section as at 30 September 2020
- Annual Funding Update for each section as at 30 September 2021
- Funding update as part of the buy-in process
- Schroders (formerly River & Mercantile) quarterly performance update reports and monthly dashboards
- Employer covenant assessment / Minutes of discussions of the employer assessment
- Dashboard / Company Accounting provided at Trustees meetings
- Decision made to buy-in the benefits of all three sections of the Scheme with PIC (post year end event)

Conclusion

It is therefore concluded that it is reasonable to produce financial statements for the Amey OS Pension Scheme on a going concern basis.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

Amey OS Pension Scheme is established as a trust under English law. The Scheme is a registered pension scheme for tax purposes under chapter 2, part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential treatment. The address for further information about the Scheme is Matt Riley, ZEDRA Governance, Merlin House, Brunel Road, Theale, Berkshire, RG7 4AB (E-mail: matt.riley@ZEDRA.com).

3. COMPARATIVE DISCLOSURES FOR THE FUND ACCOUNT AND STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

Fund account for the year to 30 September 2021

	Notes	Amey Section 30 Sep 2021 £000	Accord Section 30 Sep 2021 £000	APS Section 30 Sep 2021 £000	Total 30 Sep 2021 £000
Additions from dealings with members					
Employer contributions		401	2,443	5,584	8,428
Employee contributions		16	15	12	43
Total contributions	5	417	2,458	5,596	8,471
Other income	6	95	-	-	95
		512	2,458	5,596	8,566
Withdrawals from dealings with members					
Benefits paid or payable	7	(1,097)	(3,172)	(9,196)	(13,465)
Payments to and on account of leavers	8	(169)	(148)	(2,518)	(2,835)
Administration expenses	9	(259)	(369)	(495)	(1,123)
		(1,525)	(3,689)	(12,209)	(17,423)
Net (withdrawals) from dealings with members		(1,013)	(1,231)	(6,613)	(8,857)
Returns on investments					
Investment income	10	47	119	4,036	4,202
Change in market value of investments	11	665	7,588	18,269	26,522
Investment management expenses	20	(182)	(410)	(1,157)	(1,749)
Net returns on investments		530	7,297	21,148	28,975
Net increase in fund during the year		483	6,066	14,535	20,118
Opening net assets		53,719	121,016	478,940	653,675
Closing net assets		53,236	127,082	493,475	673,793

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

Statement of Net Assets Available for Benefits as at 30 September 2021

	Notes	Amey Section 30 Sep 2021 £000	Accord Section 30 Sep 2021 £000	APS Section 30 Sep 2021 £000	Total 30 Sep 2021 £000
Investment assets					
Pooled investment vehicles	12	30,687	78,476	370,894	480,057
Insurance policies	14	16,490	32,480	87,200	136,170
AVC investments	13	-	63	2,265	2,328
Cash in transit		5,506	13,493	31,393	50,392
Total investments		52,683	125,512	491,752	668,947
Current assets	21	642	2,727	2,581	5,950
Current liabilities	22	(89)	(157)	(858)	(1,104)
Total net assets available for benefits		53,236	127,082	493,475	673,793

4. ACCOUNTING POLICIES

The principal accounting policies, which have been applied consistently, are set out below.

4.1 Currency

The functional and presentational currency used in these financial statements is Sterling (GBP).

Assets and liabilities in foreign currency are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction.

4.2 Accruals concept

The financial statements have been prepared on an accruals basis.

4.3 Valuation of investments

Unitised pooled investment vehicles which are not quoted on active markets, have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net assets value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Bonds which are traded on an active market, are included at the quoted price, which is normally the bid price, at the year end.

Swaps are valued at the net present value of future cash flows arising from the swap determined using discounted cashflow models and market data at the reporting date.

Forward foreign exchange contracts (FFX) are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Options are recognised at the fair value as determined by the exchange price for closing out the option as at the year end.

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Notes to the financial statements (continued)

Accrued interest is excluded from the market value of bonds, but is included in investment income receivable.

The AVC investments include policies of assurance underwritten by Prudential Assurance Company Limited, Utmost Life and Pensions Limited and Legal & General. For Prudential and Utmost Life and Pensions Limited the fair value of these policies of assurance has been taken as the surrender values of the policies at the year end, as advised by the AVC provider. For Legal & General the fair value is taken as the pooled fund unit price at the year-end date. If a year-end valuation is unavailable the policy values are taken as at the latest available valuation and adjusted for cash movements, as per the SORP.

The bulk annuity policies held in the name of the Trustee are held with, and valued at the year-end by JUST. The policies are included in the financial statements at the valuer's best estimate of future benefit liabilities based on applying a discount to an estimated premium value.

There are some historic annuity policies held in the name of the Trustee for the Accord Section, with Prudential and Legal & General, that are considered to be immaterial in value. The Trustee has decided to only value and include material annuity policies and therefore those immaterial historic policies are included in the financial statements at £Nil value.

4.4 Contributions and benefits

Normal contributions are accounted for when they are deducted from pay by the Employer, in accordance with the Schedules of Contributions.

Employer deficit funding contributions and expense contributions are accounted for on the due dates in accordance with the Schedules of Contributions.

Employer additional contributions are accounted for in the year they are received.

PPF Levy reimbursements due from the Scheme are accounted for in the year that the Scheme requests the reimbursements from the Employer.

Pensions paid, retirement benefits and death benefits are accounted for in the year in which they become due for payment. Where there is a choice, benefits are accounted for on the latter of the date of leaving, retirement or death and the date on which any option or notification is communicated to the Trustee. If there is no choice they are accounted for on the date of retiring or leaving.

4.5 Other income

Death in service income received from insurance companies is accounted for in the same year as the associated benefit.

Interest on bank deposits is accounted for as it accrues.

4.6 Transfer values

Individual transfers are accounted for when the transfer has been agreed by both parties and the receiving scheme has accepted liability for the transfer, which is normally on the date of payment of the transfer.

4.7 Investment income

Annuity income from the JUST bulk annuity policy used to pay pension benefits is recognised within investment sales on a cash basis.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

Receipts from annuity policies with Prudential and Legal & General held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accruals basis to match the related benefits payable.

Income from any pooled investment vehicles, which distribute income, is accounted for on an accruals basis on the date stocks are quoted ex-dividend, or in the case of unquoted instruments, when the dividend is declared.

Income from bonds is accounted for on an accruals basis and includes income bought and sold on purchases and sales of bonds. Other interest on cash and short term deposits and income from other investments are accounted for on an accruals basis.

Receipts or payments under swap contracts, representing the difference between the swapped cash flows, are included in the change in market value.

The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, where income is reinvested within the fund without issue of further units, change in market value also includes such income.

4.8 Administrative, investment management expenses and other payments

Administrative, investment management expenses and other payments are accounted for on an accruals basis. Invoices incurred by a specific section are paid for by that section, invoices which are incurred by the Scheme as a whole are split equally between the three sections.

5. CONTRIBUTIONS

	30 September 2022			Total £000
	Amey Section £000	Accord Section £000	APS Section £000	
Contributions from employer:				
Normal	190	41	-	231
Deficit funding	-	-	-	-
Additional employer contributions	-	-	-	-
Expenses contributions	240	360	600	1,200
Reimbursement of PPF Levy	1	1	4	6
	431	402	604	1,437
Contributions from member:				
Normal	13	4	-	17
Additional voluntary contributions	-	-	6	6
	13	4	6	23
	444	406	610	1,460

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

5. CONTRIBUTIONS (continued)

	30 September 2021			Total £000
	Amey Section £000	Accord Section £000	APS Section £000	
Contributions from employer:				
Normal	220	128	-	348
Deficit funding	-	-	4,841	4,841
Additional employer contributions	-	2,000	-	2,000
Expenses contributions	180	300	600	1,080
Reimbursement of PPF Levy	1	15	143	159
	401	2,443	5,584	8,428
Contributions from member:				
Normal	16	15	-	31
Additional voluntary contributions	-	-	12	12
	16	15	12	43
	417	2,458	5,596	8,471

Per the Schedules of Contributions certified by the Scheme Actuary on 1 April 2021, the employer is to make the following deficit funding and expense funding contributions to the Scheme:

Amey Section for the period 1 April 2021 to 11 December 2022:

Deficit funding	Nil
Expense funding	£20,000 per month

Accord Section for the period 1 April 2021 to 11 December 2022:

Deficit funding	Nil
Expense funding	£30,000 per month
Payments to escrow account	£148,520 per month (from 1 April 2021 to 31 July 2023)

APS Section for the period 1 April 2021 to 11 December 2022:

Deficit funding	Nil
Payments to escrow account	£562,531 per month (from 1 April 2021 to 30 November 2023)
Expense funding	£50,000 per month

Per the Schedules of Contributions certified by the Scheme Actuary on 14 December 2022, the employer is to make the following deficit funding and expense funding contributions to the Scheme:

Amey Section for the period 12 December 2022 to 12 December 2027:

Deficit funding	Nil
Expense funding	£20,000 per month

Accord Section for the period 12 December 2022 to 12 December 2027:

Deficit funding	The employer shall pay to the scheme £14,649,565 in December 2022 (via the Scheme's investments manager or insurer). This amount shall be due for payment by 14 th December 2022.
Expense funding	£30,000 per month
Payments to escrow account	Nil

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Notes to the financial statements (continued)

5. CONTRIBUTIONS (continued)

APS Section for the period 12 December 2022 to 12 December 2027:

Deficit funding The employer shall pay to the scheme £15,850,435 in December 2022 (via the Scheme's investments manager or insurer). This amount shall be due for payment by 14th December 2022.

Payments to escrow account Nil
Expense funding £50,000 per month

The Accord Section operates a salary sacrifice arrangement.

6. OTHER INCOME

	30 September 2022			Total £000
	Amey Section £000	Accord Section £000	APS Section £000	
Claims on Insurance term benefits	-	-	-	-
	30 September 2021			Total £000
	Amey Section £000	Accord Section £000	APS Section £000	
Claims on Insurance term benefits	95	-	-	95
	95	-	-	95

Death in service is insured with Legal & General.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)**7. BENEFITS PAID OR PAYABLE**

	30 September 2022			Total
	Amey Section	Accord Section	APS Section	
	£000	£000	£000	£000
Pensions	1,072	2,360	9,069	12,501
Commutations and lump sums on retirement	323	616	1,774	2,713
Lump sum death benefits	-	11	36	47
Lump sums on death in service	-	-	-	-
Death benefits in retirement	2	10	-	12
	1,397	2,997	10,879	15,273

	30 September 2021			Total
	Amey Section	Accord Section	APS Section	
	£000	£000	£000	£000
Pensions	913	2,083	8,166	11,162
Commutations and lump sums on retirement	89	1,086	1,000	2,175
Lump sum death benefits	-	-	5	5
Lump sums on death in service	95	-	-	95
Death benefits in retirement	-	3	25	28
	1,097	3,172	9,196	13,465

8. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	30 September 2022			Total
	Amey Section	Accord Section	APS Section	
	£000	£000	£000	£000
Individual transfers to other schemes	-	283	702	985

	30 September 2021			Total
	Amey Section	Accord Section	APS Section	
	£000	£000	£000	£000
Individual transfers to other schemes	169	148	2,518	2,835

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

9. ADMINISTRATION EXPENSES

	30 September 2022			Total £000
	Amey Section £000	Accord Section £000	APS Section £000	
Actuarial	265	262	274	801
Administration	92	139	173	404
PPF and other levies	3	8	1	12
Legal and professional	76	76	78	230
Audit	8	8	8	24
Member communication	8	8	8	24
Trustee fees	79	79	79	237
Other professional fees	3	2	3	8
	534	582	624	1,740

	30 September 2021			Total £000
	Amey Section £000	Accord Section £000	APS Section £000	
Actuarial	99	123	137	359
Administration	89	145	175	409
PPF and other levies	3	16	103	122
Legal and professional	7	12	7	12
Audit	6	6	6	18
Member communication	7	7	7	21
Trustee fees	58	58	58	174
Other professional fees	4	2	2	8
	259	369	495	1,123

The Company reimburses the Scheme for the Amey Section, Accord Section and APS Section Pension Protection Fund Levy in accordance with the schedules of contributions. The reimbursement is shown in Note 5.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

10. INVESTMENT INCOME

	30 September 2022			Total £000
	Amey Section £000	Accord Section £000	APS Section £000	
Income from bonds	159	194	579	932
Interest from pooled fund investments	1,001	2,755	12,474	16,230
Income from derivatives	28	109	67	204
Annuity income	-	2	-	2
Interest on cash deposits	6	15	46	67
Exchange loss	(3)	(33)	(75)	(111)
	<u>1,191</u>	<u>3,042</u>	<u>13,091</u>	<u>17,324</u>

	30 September 2021			Total £000
	Amey Section £000	Accord Section £000	APS Section £000	
Income from bonds	-	-	-	-
Interest from pooled fund investments	46	116	4,036	4,198
Income from derivatives	-	-	-	-
Annuity income	-	3	-	3
Interest on cash deposits	1	-	-	1
Exchange loss	-	-	-	-
	<u>47</u>	<u>119</u>	<u>4,036</u>	<u>4,202</u>

11. RECONCILIATION OF INVESTMENTS

The movements in total investments during the year were as follows:

AMEY SECTION

	Value at 30 Sept 2021 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in market value £000	Value at 30 Sept 2022 £000
Bonds	-	26,282	(4,574)	(8,338)	13,370
Pooled investment vehicles	30,687	14,715	(32,490)	(2,329)	10,583
Derivatives - net	-	259	(8)	(2,447)	(2,196)
Insurance policies	16,490	-	(749)	(4,741)	11,000
AVC investments	-	-	(5)	5	-
	<u>47,177</u>	<u>41,256</u>	<u>(37,826)</u>	<u>(17,850)</u>	<u>32,757</u>
Cash	4,368				1,624
Other Investment balances	1,138				184
Total	<u>52,683</u>				<u>34,565</u>

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)**11. RECONCILIATION OF INVESTMENTS (continued)****ACCORD SECTION**

	Value at 30 Sept 2021	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 30 Sept 2022
	£000	£000	£000	£000	£000
Bonds	-	64,310	(22,944)	(13,984)	27,382
Pooled investment vehicles	78,476	65,024	(102,150)	(6,335)	35,015
Derivatives - net	-	1,744	(379)	(13,620)	(12,255)
Insurance policies	32,480	-	(1,536)	(8,444)	22,500
AVC investments	63	-	-	1	64
	111,019	131,078	(127,009)	(42,382)	72,706
Cash	9,642				8,865
Other Investment balances	3,851				1,213
Total	124,512				82,784

APS SECTION

	Value at 30 Sept 2021	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 30 Sept 2022
	£000	£000	£000	£000	£000
Bonds	-	287,211	(64,682)	(76,677)	145,852
Pooled investment vehicles	370,894	261,382	(471,882)	(10,275)	150,119
Derivatives - net	-	9,743	(579)	(52,855)	(43,691)
Insurance policies	87,200	-	(3,588)	(25,012)	58,600
AVC investments	2,265	6	(428)	(155)	1,688
	460,359	558,342	(541,159)	(164,974)	312,568
Cash	21,087				12,679
Other Investment balances	10,306				258
Total	491,752				325,505

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sales of investments during the year.

Included within the purchases and sales figures are transaction costs which are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the fund such as fees, commissions, stamp duty and other fees. Direct transaction costs were £Nil (*Sep 2021: £Nil*). Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and are not separately disclosed to the Scheme.

The Accord Section holds some historic annuity policies which are not considered to be material and have therefore not been valued and are included in these financial statements at £Nil value.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

12. POOLED INVESTMENT VEHICLES

As at 30 September 2022 the Scheme's investment in pooled investment vehicles comprised:

AMEY SECTION

	30 Sept 2022	30 Sept 2021
	£000	£000
Equity funds	1,341	2,849
Bond funds	8,030	16,694
Cash	106	7,943
Alternative	789	-
Credit funds	-	1,969
Property funds	317	1,232
	10,583	30,687

ACCORD SECTION

	30 Sept 2022	30 Sept 2021
	£000	£000
Equity funds	6,493	17,491
Bond funds	22,767	45,343
Credit funds	-	2,668
Alternative	4,079	-
Cash	4	8,881
Property funds	1,672	4,093
	35,015	78,476

APS SECTION

	30 Sept 2022	30 Sept 2021
	£000	£000
Equity funds	39,114	72,781
Bond funds	80,843	251,743
Property funds	18	18
Private equity funds	-	24,144
Alternative	10,798	-
Cash	19,346	22,208
	150,119	370,894

Amey OS Pension Scheme annual report and financial statements

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Notes to the financial statements (continued)

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Trustee holds assets invested separately from the main fund in the form of individual insurance policies. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions.

Members participating in this arrangement each receive an annual statement made up to 5 April each year, confirming the amounts held to their account and the movements during the year. The total amount of AVC investments at the year-end is shown below.

The fair value of the Legal & General policy has been taken as the pooled fund unit price of the policies at the year-end, as advised by the AVC provider. The fair value of the Prudential policy was not available as at the year-end, so as per the SORP, the values have been taken as at the latest available valuation, 31 March 2022 and adjusted for cash movements.

ACCORD SECTION

	30 Sept 2022	<i>30 Sept 2021</i>
	£000	<i>£000</i>
Prudential	64	<i>63</i>

APS SECTION

	30 Sept 2022	<i>30 Sept 2021</i>
	£000	<i>£000</i>
Utmost Life and Pensions Limited	373	<i>485</i>
Prudential	103	<i>90</i>
L&G	1,212	<i>1,690</i>
	1,688	<i>2,265</i>

14. INSURANCE POLICIES

AMEY SECTION

	30 Sept 2022	<i>30 Sept 2021</i>
	£000	<i>£000</i>
JUST	11,000	<i>16,490</i>

ACCORD SECTION

	30 Sept 2022	<i>30 Sept 2021</i>
	£000	<i>£000</i>
JUST	22,500	<i>32,480</i>

APS SECTION

	30 Sept 2022	<i>30 Sept 2021</i>
	£000	<i>£000</i>
JUST	58,600	<i>87,200</i>

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

15. INVESTMENT FAIR VALUE HIERARCHY

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 - Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets and liabilities have been analysed using the above hierarchy categories as follows:

	30 September 2022			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
AMEY SECTION				
Pooled investment vehicles	226	9,767	590	10,583
Bonds	13,370	-	-	13,370
Derivatives	-	(2,196)	-	(2,196)
Insurance policies	-	-	11,000	11,000
Cash	1,624	-	-	1,624
Other Investment balances	184	-	-	184
	15,404	7,571	11,590	34,565
ACCORD SECTION				
Pooled investment vehicles	691	31,190	3,134	35,015
Bonds	27,382	-	-	27,382
Derivatives	-	(12,255)	-	(12,255)
Insurance policies	-	-	22,500	22,500
AVC investments	-	-	64	64
Cash	8,865	-	-	8,865
Other Investment balances	1,213	-	-	1,213
	38,151	18,935	25,698	82,784
APS SECTION				
Pooled investment vehicles	4,885	129,597	15,637	150,119
Bonds	145,852	-	-	145,852
Derivatives	-	(43,691)	-	(43,691)
Insurance policies	-	-	58,600	58,600
AVC investments	-	-	1,688	1,688
Cash	12,679	-	-	12,679
Other Investment balances	258	-	-	258
	163,674	85,906	75,925	325,505
	217,229	112,412	113,213	442,854

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Year ended 30 September 2022

Notes to the financial statements (continued)**15. INVESTMENT FAIR VALUE HIERARCHY (continued)**

	30 September 2021			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
AMEY SECTION				
Pooled investment vehicles	-	27,486	3,201	30,687
Insurance policies	-	-	16,490	16,490
AVC investments	-	-	-	-
Cash	4,368	-	-	4,368
Cash in transit	1,138	-	-	1,138
	<u>5,506</u>	<u>27,486</u>	<u>19,691</u>	<u>52,683</u>
ACCORD SECTION				
Pooled investment vehicles	-	71,715	6,761	78,476
Insurance policies	-	-	32,480	32,480
AVC investments	-	-	63	63
Cash	9,642	-	-	9,642
Cash in transit	3,851	-	-	3,851
	<u>13,493</u>	<u>71,715</u>	<u>39,304</u>	<u>124,512</u>
APS SECTION				
Pooled investment vehicles	-	346,732	24,162	370,894
Insurance policies	-	-	87,200	87,200
AVC investments	-	-	2,265	2,265
Cash	21,087	-	-	21,087
Cash in transit	10,306	-	-	10,306
	<u>31,393</u>	<u>346,732</u>	<u>113,627</u>	<u>491,752</u>
	<u>50,392</u>	<u>445,933</u>	<u>172,622</u>	<u>668,947</u>

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Notes to the financial statements (continued)

16. INVESTMENT RISKS

FRS 102 requires the disclosure of information in relation to certain investment risks.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

AVC investments are not covered in this analysis as they are not considered material to the financial statements.

Credit Risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, OTC derivatives and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore indirectly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Trustees' policy for managing credit risk is detailed in the Statement of Investment Principles.

The Amey Section holds £13.4m in directly held bonds, -£2.2m in OTC derivatives and £1.8m in directly held cash balances. The Scheme also holds £8.1m bonds and cash through underlying pooled fund investments.

The Accord Section holds £27.4m in directly held bonds, -£12.3m in OTC derivatives and £10.0m in directly held cash balances. The Scheme also holds £22.8m bonds and cash through underlying pooled fund investments.

The APS holds £145.9m in directly held bonds, -£43.7m in OTC derivatives and £12.6m in directly held cash balances. The Scheme also holds £100.2m bonds and cash through underlying pooled fund investments.

Credit risk arising on derivatives held directly depends on whether the derivative is exchange traded or over the counter (OTC). The Scheme holds OTC derivative contracts which are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty.

Amey OS Pension Scheme annual report and financial statements

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Notes to the financial statements (continued)

16. INVESTMENT RISKS (continued)

Credit risk for OTC derivative contracts is mitigated by placing restrictions on Schroders Solutions which ensure that new contracts are only entered into with counterparties that are investment grade. The credit risk in respect of OTC swaps is further reduced by collateral arrangements.

Credit risk arising on bonds held directly is mitigated by Schroders Solutions choosing to only invest in government bonds, where the credit risk is minimal, or corporate bonds which are rated at least investment grade.

Directly held cash balances are at financial institutions which are at least investment grade credit rated. This is the position at the year-end.

In all above instances, "investment grade" is defined as being rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

Indirect credit risk arises in relation to underlying investments held in bond and cash pooled investment vehicles. This risk is mitigated by the Trustees mandating Schroders Solutions that the underlying investment in sub-investment grade debt may not exceed 30% of the GA.

Both direct and indirect credit risk is mitigated by holding a diversified portfolio to minimise the impact of default by any one issuer. The Trustees monitor the investment strategy adopted by Schroders Solutions to ensure that the arrangement remains diversified.

Direct credit risk arises in respect of pooled investment vehicles. The Scheme's GA is invested across a large number of different pooled funds which have various legal structures in various domiciles (e.g. open-ended investment companies, unit trusts, limited partnerships etc.).

The direct credit risk associated with these managers is also mitigated by:

- the regulatory environments in which those managers operate;
- diversification amongst a large number of pooled arrangements; and
- due diligence checks by Schroders Solutions on the appointment of new pooled managers, and monitoring on an ongoing basis for any changes to the operating environment of each manager.

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles. The Trustees' policy for managing this risk is detailed in the Statement of Investment Principles.

Currency risk is mitigated by delegating management of currency exposures at total portfolio level to Schroders Solutions. Schroders Solutions implement currency hedging through the use of hedged shared classes of pooled funds (where available) and the use of FX forward contracts.

Net of currency hedging, 10.2% (Amey Section)/18.7% (Amey Accord Section)/8.3% (APS Section) of the Scheme's holdings were exposed to overseas currencies as at year-end.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

16. INVESTMENT RISKS (continued)

Interest rate risk

The Scheme's assets are subject to interest rate risk because some of the Scheme's investments are held in bonds, interest/inflation rate swaps for the purpose of liability hedging. Under this strategy if interest rates fall the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise these investments will fall in value as will actuarial liabilities because of an increase in the discount rate. At the year-end, the assets subject to interest rate risk comprised of:

£'000	30/09/2022	30/09/2022	30/09/2022
	Amey Section	Accord Section	APS Section
Direct			
Bonds	13,370	27,382	145,852
Swaps	(2,139)	(11,877)	(42,207)
Indirect			
Bond PIV's	8,030	22,767	80,843
Cash PIV's	106	4	19,346

Please note clean values have been used where applicable.

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which may include various asset classes (i.e. alternatives, bonds, equities, cash and investment properties) held in pooled vehicles. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets. At the year end, the Scheme's exposure to investments subject to other price risk was:

£'000	30/09/2022	30/09/2022	30/09/2022
	Amey Section	Accord Section	APS Section
Direct			
S&P/Call Equity Options	(13)	(81)	(406)
Bonds held	863	1,117	(23,564)
Indirect			
Property PIVs	317	1,672	18
Alternatives PIVs	789	4,079	10,798
Equity PIVs	1,342	6,493	39,114

Please note clean values have been used where applicable.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

17. CONCENTRATION OF INVESTMENTS

Investments exceeding 5% of the value of each section's net assets as at 30 September 2022 or 30 September 2021 are detailed below:

AMEY SECTION

	Value at 30 Sep 2022 £000	%	Value at 30 Sep 2021 £000	%
Blackrock ICS Sterling Liquidity	N/a	N/a	3,747	7.0
SGMF UK Credit Fixed Income	N/a	N/a	3,747	7.0
Blackrock ICS Sterling Liquidity - Heritage	N/a	N/a	4,196	7.9
JUST Insurance Policy	11,000	31.5	16,490	31.0
Insight Investment Maturing Buy & Maintain Bond Fund 2021-2025	2,288	6.5	N/a	N/a
Insight Investment Maturing Buy & Maintain Bond Fund 2026-2030	2,625	7.5	N/a	N/a
Insight Investment Maturing Buy & Maintain Bond Fund 2031-2035	2,317	6.6	N/a	N/a

ACCORD SECTION

	Value at 30 Sep 2022 £000	%	Value at 30 Sep 2021 £000	%
SGIF Global Select Equity Fund	N/a	N/a	11,330	8.9
BMO Regular Profile Swap Fund	N/a	N/a	9,018	7.1
Blackrock ICS Sterling Liquidity - Heritage	N/a	N/a	8,881	7.0
JUST Insurance Policy	22,500	26.8	32,480	25.6
Insight Investment Maturing Buy & Maintain Bond Fund 2021-2025	6,072	7.2	N/a	N/a
Insight Investment Maturing Buy & Maintain Bond Fund 2026-2030	6,966	8.3	N/a	N/a
Insight Investment Maturing Buy & Maintain Bond Fund 2031-2035	6,145	7.3	N/a	N/a
BNY Mellon (Schroders Solutions) Global Equity Fund	4,682	5.6	N/a	N/a
Cash	8,865	10.6	9,642	11.5

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Year ended 30 September 2022

Notes to the financial statements (continued)

17. CONCENTRATION OF INVESTMENTS (continued)

APS SECTION

	Value at 30 Sep 2022 £000	%	Value at 30 Sep 2021 £000	%
SGMF UK Long Duration Credit Fund	N/a	N/a	25,407	5.1
SGMF Global Managed Volatility	N/a	N/a	28,254	5.7
BMO Regular Profile Real Swap Fund	N/a	N/a	43,244	8.8
BMO Regular Profile LVG Real Gilt	N/a	N/a	31,712	6.4
M&G Inflation Fund	N/a	N/a	51,116	10.4
JUST Insurance Policy	58,600	17.8	87,200	17.7
Insight Investment Maturing Buy & Maintain Bond Fund 2021-2025	26,208	8.0	N/a	N/a
Insight Investment Maturing Buy & Maintain Bond Fund 2026-2030	30,068	9.1	N/a	N/a
BNY Mellon (Schroders Solutions) Global Equity Fund	29,347	8.9	N/a	N/a

18. DERIVATIVES

The Trustee has authorised the use of derivative financial instruments by their investment manager as part of their investment strategy as follows:

Forward Foreign Currency – The Trustee invests in overseas markets and assets denominated in foreign currency in order to construct a suitably diversified investment portfolio. Bearing in mind the Trustee's obligation to settle benefits in sterling, the Trustee has agreed a maximum net exposure to foreign currencies and have entered into over the counter ("OTC") traded forward foreign currency contracts to achieve this.

Swaps – The Trustee's aim is to match the Liability-driven element of the investment portfolio with the Scheme's long term liabilities, particularly in relation to their sensitivities to interest rate movements. Due to the lack of long-dated bonds the Trustee holds interest-rate and inflation swaps to extend the duration and match more closely with the Scheme's liability profile.

Outstanding derivative financial instruments at the year-end are summarised as follows:

AMEY SECTION

	2022 Assets £000	2022 Liabilities £000	2021 Assets £000	2021 Liabilities £000
Forward foreign currency	13	(68)	-	-
Swaps	162	(2,292)	-	-
Options	37	(48)	-	-
	212	(2,408)	-	-
Derivatives - net		(2,196)	-	-

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

18. DERIVATIVES (continued)

Forward foreign currency

Type	Buy Currency	Sell Currency	2022 Assets £000	2022 Liabilities £000
OTC Traded – less than 1 month	GBP	USD	-	(65)
OTC Traded – less than 1 month	GBP	EUR	-	(2)
OTC Traded – less than 1 month	GBP	JPY	-	(1)
OTC Traded – less than 1 month	EUR	GBP	1	-
OTC Traded – less than 1 month	USD	GBP	12	-
			13	(68)

Swaps

Type	Number of contracts	Duration	Notional principle £000	2022 Assets £000	2022 Liabilities £000
Interest rate swaps	2	6-15 years	3,500	-	(1,027)
Inflation swaps	1	1-5 years	613	68	-
	1	6-15 years	809	94	-
Total return swaps	2	<1 year	3,372	-	(1,265)
			8,294	162	(2,292)

Collateral of £2.83 million was pledged (2021: nil) for the unrealised gain on swaps, comprising gilts and cash and was held in an allocated account at the counterparty's bank.

Options

	Expiration	Notional Principal £000	2022 Assets £000	2022 Liabilities £000
Purchased call	<1 year	1,334	37	(21)
Written put	<1 year	667	-	(27)
		2,001	37	(48)

AMEY ACCORD SECTION

	2022 Assets £000	2022 Liabilities £000	2021 Assets £000	2021 Liabilities £000
Forward foreign currency	96	(392)	-	-
Swaps	703	(12,580)	-	-
Options	198	(280)	-	-
	997	(13,252)	-	-
Derivatives - net		(12,255)	-	-

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Notes to the financial statements (continued)

18. DERIVATIVES (continued)

Forward foreign currency

Type	Buy Currency	Sell Currency	2022 Assets £000	2022 Liabilities £000
OTC Traded – less than 1 month	GBP	USD	-	(38)
OTC Traded – less than 1 month	GBP	EUR	-	-
OTC Traded – less than 1 month	GBP	JPY	-	(1)
OTC Traded – less than 1 month	JPY	GBP	-	(3)
OTC Traded – less than 1 month	EUR	GBP	1	(10)
OTC Traded – less than 1 month	USD	GBP	95	(340)
			96	(392)

Swaps

Type	Number of contracts	Duration	Notional principle £000	2022 Assets £000	2022 Liabilities £000
Interest rate swaps					
	1	1-5 years	4,500	-	(688)
	1	6-15 years	4,500	-	(1,124)
Inflation swaps					
	1	6-15 years	6,021	703	-
Total return swaps					
	8	<1 year	28,927	-	(10,768)
			43,948	703	(12,580)

Collateral of £15.93 million was pledged (2021: nil) for the unrealised gain on swaps, comprising gilts and cash and was held in an allocated account at the counterparty's bank.

Options

	Expiration	Notional Principal £000	2022 Assets £000	2022 Liabilities £000
Purchased call	<1 year	7,676	198	(120)
Written put	<1 year	3,838	-	(160)
		11,514	198	(280)

APS SECTION

	2022 Assets £000	2022 Liabilities £000	2021 Assets £000	2021 Liabilities £000
Forward foreign currency	279	(1,357)	-	-
Swaps	6,081	(48,288)	-	-
Options	1,029	(1,435)	-	-
	7,389	(51,080)	-	-
Derivatives - net		(43,691)	-	-

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Notes to the financial statements (continued)**Forward foreign currency**

Type	Buy Currency	Sell Currency	2022 Assets £000	2022 Liabilities £000
OTC Traded – less than 1 month	GBP	USD	-	(1,312)
OTC Traded – less than 1 month	GBP	EUR	-	(13)
OTC Traded – less than 1 month	GBP	JPY	-	(17)
OTC Traded – less than 1 month	JPY	GBP	-	-
OTC Traded – less than 1 month	EUR	GBP	3	-
OTC Traded – less than 1 month	USD	GBP	276	(15)
			<u>279</u>	<u>(1,357)</u>

Swaps

Type	Number of contracts	Duration	Notional principle £000	2022 Assets £000	2022 Liabilities £000
Interest rate swaps	5	6-15 years	83,130	-	(20,724)
Inflation swaps	1	1-5 years	24,499	2,497	-
	4	6-15 years	86,966	3,584	-
Total return swaps	7	<1 year	80,589	-	(27,564)
			<u>275,184</u>	<u>6,081</u>	<u>(48,288)</u>

Collateral of £66.07 million was pledged (2021: nil) and £2.33 million was held (2021: nil) for the unrealised gain on swaps, comprising gilts and cash and was held in an allocated account at the counterparty's bank.

Options

	Expiration	Notional Principal £000	2022 Assets £000	2022 Liabilities £000
Purchased call	<1 year	39,260	1,029	(621)
Written put	<1 year	19,630	-	(814)
		<u>58,890</u>	<u>1,029</u>	<u>(1,435)</u>

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Year ended 30 September 2022

Notes to the financial statements (continued)

19. OTHER INVESTMENT BALANCES

	30 September 2022			Total
	Amey Section £000	Accord Section £000	APS Section £000	
Cash in transit	136	1,149	-	1,285
Accrued investment income	48	64	258	370
	<u>184</u>	<u>1,213</u>	<u>258</u>	<u>1,655</u>

	30 September 2021			Total
	Amey Section £000	Accord Section £000	APS Section £000	
Cash in transit	1,138	3,851	10,306	15,295
Accrued investment income	-	-	-	-
	<u>1,138</u>	<u>3,851</u>	<u>10,306</u>	<u>15,295</u>

20. INVESTMENT MANAGEMENT EXPENSES

	30 September 2022			Total
	Amey Section £000	Accord Section £000	APS Section £000	
Investment fund management	(111)	(269)	(1,046)	(1,426)

	30 September 2021			Total
	Amey Section £000	Accord Section £000	APS Section £000	
Investment fund management	(182)	(410)	(1,157)	(1,749)

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Notes to the financial statements (continued)**21. CURRENT ASSETS**

	30 September 2022			Total
	Amey Section £000	Accord Section £000	APS Section £000	
Contributions receivable				
- Employer	37	33	50	120
- Members	-	-	4	4
Prepaid benefits	90	198	509	797
Cash	422	1,267	3,589	5,278
	549	1,498	4,152	6,199

	30 September 2021			Total
	Amey Section £000	Accord Section £000	APS Section £000	
Contributions receivable				
- Employer	37	34	50	121
- Members	1	1	-	2
Prepaid benefits	-	29	-	29
Cash	604	2,663	2,531	5,798
	642	2,727	2,581	5,950

The contributions due at 30 September 2022 were received after the year end in accordance with the due dates as set out in the schedules of contributions.

22. CURRENT LIABILITIES

	30 September 2022			Total
	Amey Section £000	Accord Section £000	APS Section £000	
Benefit payments	-	(34)	(5)	(39)
Taxation	(12)	(27)	(128)	(167)
Administrative expenses	(71)	(83)	(91)	(245)
Investment management expenses	(52)	(121)	(482)	(655)
	(135)	(265)	(706)	(1,106)

	30 September 2021			Total
	Amey Section £000	Accord Section £000	APS Section £000	
Benefit payments	(4)	-	(482)	(486)
Taxation	-	(4)	(2)	(6)
Administrative expenses	(40)	(53)	(84)	(177)
Investment management expenses	(45)	(100)	(290)	(435)
	(89)	(157)	(858)	(1,104)

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Notes to the financial statements (continued)

23. RELATED PARTY TRANSACTIONS

The directors of the Independent Trustee are not members of the Scheme. Trustee Fees of £237,000 (year ended 30 September 2021: £174,000) were paid to ZEDRA Governance Limited (formerly PTL Governance Limited), the independent Corporate Trustee during the year. At the end of the year the Scheme owed the Corporate Trustee £22,500 (2021: £13,500).

24. EMPLOYER RELATED INVESTMENTS

There were no employer-related investments at any time during the year.

25. CONTINGENT ASSETS

At the 30 September 2022 there was £15,242,503 (2021: £4,117,342) held in the Accord Section Escrow account.

26. TAX STATUS OF THE SCHEME

The Scheme is a registered pension scheme for tax purposes under chapter 2, part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential treatment.

27. GMP EQUALISATION

In October 2018, the High Court determined that benefits built up between May 1990 and April 1997 must be recalculated for both men and women to remove the inequality. This is known as Guaranteed Minimum Pension Equalisation ("GMP Equalisation"). Under the ruling, where an uplift to benefits is necessary, schemes are required to backdate benefit adjustments in relation to GMP Equalisation and, where the benefits are already in payment, provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and, therefore, have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year in which they are determined. The Trustee has been liaising with the advisers over the course of the year to review the data requirements and the approach that will be taken in respect of GMP Equalisation. A further update will be made available in next year's accounts and communications will be issued to members when appropriate.

On 20 November 2020, the High Court handed down a further judgement on the GMP Equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgement in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgement confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes. The Fund may have experienced historical transfers out which might be subject to adjustment as a result of this second ruling. The Trustee will be considering this at a future meeting and decisions will be made as to the next steps.

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Notes to the financial statements (continued)

28. SUBSEQUENT EVENTS

27.1 Sale of Principal Employer December 2022

Over the year covered by this report the Trustee has been liaising with the Company in respect of the sale of Amey plc by Ferrovia to Buckthorn / One Equity Partners. The Trustee liaised with the Company and its own advisers which enabled the Trustee to determine that the Trustee could agree to the sale subject to the receipt of mitigation that was subsequently agreed on advice by the Advisers and discussions with the Company.

27.2 Buy-in of benefits with PIC

During the course of the year, the Trustee received an approach, via the Company, from PIC, an insurer, to offer a competitive market price to buy in the benefits of the Scheme. Following receipt of advice from all of the Scheme's advisers, the Trustee became comfortable that it had sufficient security from the Company to proceed with accepting the buy-in quotation. This being the case the Trustee entered into an agreement on 15 December 2022 to agree the terms of the buy-in quotation from PIC. The Trustee is currently liaising with PIC to finalise the data.

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Summary of Contributions

During the year ended 30 September 2022, the contributions payable to the Scheme were as follows:

	Amey Section £000	Accord Section £000	APS Section £000	Total £000
Contributions payable under the Schedules of Contributions				
Contributions from employer				
Normal	190	41	-	231
Expenses contributions	240	360	600	1,200
Reimbursement of PPF levies	1	1	4	6
	431	402	604	1,437
Contributions from members				
Normal	13	4	-	17
Additional voluntary contributions	-	-	6	6
	13	4	6	23
Contributions payable under the Schedules (as reported on by the Scheme auditor)	444	406	610	1,460
Other contributions payable				
Other	-	-	-	-
	-	-	-	-
Contributions reported in the financial statements	444	406	610	1,460



..... Trustee Director

Date: 27/4/2023

Amey OS Pension Scheme annual report and financial statements

Year ended 30 September 2022

Independent auditor's statement about contributions to the Trustee of Amey OS Pension Scheme

We have examined the summary of contributions to the Amey OS Pension Scheme (the 'Scheme') for the Scheme year ended 30 September 2022 which is set out on page 54.

In our opinion, contributions for the Scheme year ended 30 September 2022 as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the Scheme actuary on 14 April 2021 (in relation to all three sections).

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedules of contributions.

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 20, the Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a schedule of contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedules of contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to the Trustee in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our work, for this statement, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

Date : 27/4/2023

Amey OS Pension Scheme annual report and financial statements

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Actuarial Certification of Schedule of Contributions – Amey section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the Schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 1 April 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound-up.

Signature: <i>Andrew Allsopp</i>	Date: 14 December 2022
Name: Andrew Allsopp	Qualification: Fellow of the Institute and Faculty of Actuaries
Address: Broadstone Prospect House Fishing Line Road Redditch Worcestershire B97 6EW	Name of employer (if applicable): Broadstone Pensions Ltd

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Actuarial Certification of Schedule of Contributions – Accord section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 1 April 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound-up.

Signature: <i>Andrew Allsopp</i>	Date: 14 December 2022
Name: Andrew Allsopp	Qualification: Fellow of the Institute and Faculty of Actuaries
Address: Broadstone Prospect House Fishing Line Road Redditch Worcestershire B97 6EW	Name of employer (if applicable): Broadstone Pensions Ltd

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Actuarial Certification of Schedule of Contributions – APS Section

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the Schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 1 April 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound-up.

Signature: <i>Andrew Allsopp</i>	Date: 14 December 2022
Name: Andrew Allsopp	Qualification: Fellow of the Institute and Faculty of Actuaries
Address: Broadstone Prospect House Fishing Line Road Redditch Worcestershire B97 6EW	Name of employer (if applicable): Broadstone Pensions Ltd

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Appendix 1

IMPLEMENTATION STATEMENT

Amey OS Pension Scheme ('Scheme') 30 September 2022 Implementation Statement

Schroders' Solutions Disclaimer:

The Implementation Statement is a regulatory requirement under the 2018 changes to the Occupational Pension Schemes (Investment) Regulations 2005. It is important that the Trustee of the Scheme understand and consider financially material Environmental, Social and Governance ("ESG") factors and consider its own stewardship obligations. A failure to do this puts the Trustee at risk of breaching your legal duties. This is a Trustee document and the Trustee must review the Implementation Statement draft, provided by its investment adviser, and confirm that they have considered the content prepared and reviewed any associated documentation such as voting policies.

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering the Amey OS Pension Scheme ('the 'Scheme') in relation to the Scheme's Statement of Investment Principles (the "SIP").

The Trustee for each of the three sections in the scheme: the Amey Section, the Accord Section and the APS Section, has prepared this implementation statement in compliance with under the 2018 changes to the Occupational Pension Schemes (Investment) Regulations 2005.

The SIP was amended once during the year ending 30 September 2022, and the changes made were predominantly for the transition to the new fiduciary manager (Schroders IS Limited), formerly known as River and Mercantile Investments Limited. The SIP has also been updated over the last 3 years to account for ESG considerations and the Trustees is looking to update the SIP next year following the Scheme buy-in.

This SIP came into force from 17 December 2021.

A copy of the current SIP signed and dated December 2021 can be found here

https://my-amey-os-pension.com/docs/librariesprovider25/sips/statement-of-investment-principles.pdf?sfvrsn=de8dc0f5_10

This Implementation Statement covers the Scheme year from 1 October 2021 to 30 September 2022 (the "Scheme Year"). It sets out:

- How the Trustee's policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A copy of this Implementation Statement is available on the following website:

https://my-amey-os-pension.com/docs/librariesprovider25/implementation-statement/20220930-implementation-statement.pdf?sfvrsn=bf3ccaf5_9

Amey OS Pension Scheme annual report and financial statements

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2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

The Scheme invests in assets with voting rights attached, and other assets with no voting rights. The Trustee's policies on exercising voting rights and engagement are set out in the SIP. The Trustee made no changes to the voting and engagement policies contained in the SIP during the year.

The Trustee retains the Fiduciary Management¹ service of **Schroders IS Limited**, formerly known as **River and Mercantile Investments Limited**, as their Investment Manager and Adviser (it is referred to as the "**Fiduciary Manager**" in the Implementation Statement). The Fiduciary Manager can appoint other investment managers in respect of underlying investments (these are referred to as "**Underlying Investment Managers**"). Schroders Group, a global asset manager, has a long history of engagement and active ownership, dating back to 1998 when it appointed its first governance resource, and has recorded and monitored ESG engagements since then.

- Signatory to the UK Stewardship code
- A+ rating for UN Principles for Responsible Investment
- A- rating for Carbon Disclosure Project
- Advanced ESG recognition from Morningstar
- Best Investor Engagement recognition from IR Society Best Practice Award for 2021

A copy of the SIP has been provided to the Fiduciary Manager, and the Fiduciary Manager is expected to follow the Trustee's policies on corporate governance and other financially material considerations when providing Fiduciary Management services. In particular, the Trustee requires that the Fiduciary Manager considers stewardship activity including voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change, when choosing new or monitoring existing Underlying Investment Managers.

The Trustee believes it is appropriate to delegate such decisions in order to achieve an integrated and joined up approach to ESG factors, voting and engagement. Similarly, the Trustee has not sought to set their own voting policy, a position they do not intend to change at this time.

Investments with the Underlying Investment Managers are generally made via pooled investment funds, where the Scheme's investments are pooled with those of other investors. With these funds, the direct control of the process of engaging with the companies that issue the underlying securities lies with the Underlying Investment Manager.

The Trustee has received trainings on the latest regulatory update from Depart for Work and Pensions and ensured that their stewardship priorities align with their Fiduciary Manager's engagement themes over the Scheme Year. The Trustee believes the Fiduciary Manager's engagement themes/priorities (listed in section 3) are issues which are material to the long-term value of the investments. The Trustee believes that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme. These issues also reflect expectations and trends across a range of stakeholders and by strengthening relationships with these stakeholders, business models become more sustainable.

¹ The Fiduciary Manager was acquired by Schroders Group on 1 February 2022, so two sets of engagement priorities/themes were applicable to the Scheme during the Scheme Year. Details of both sets of engagement themes can be found in the next section. Going forward, the Fiduciary Manager's engagement priorities will be aligned with the priorities of the broader Schroders Group.

The Trustee believes the current approach to stewardship is in members' and beneficiaries' best interest, as the voting and engagement carried out by both Fiduciary Manager and Underlying Investment Managers is expected to improve ESG related risk management and climate risk, and ultimately this is expected improve the financial outcome for the Scheme's members.

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Over the Scheme Year, the Fiduciary Manager provided the Trustee with monitoring of the ESG characteristics including TCFD (“Taskforce for climate-related financial disclosures”) carbon metrics of the portfolio on a quarterly basis. The Trustee is satisfied with the Fiduciary Manager’s activity in this area.

On behalf of the Trustee, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme’s investments was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers.

In addition, the Trustee with the help of the Fiduciary Manager, monitors the performance of the Underlying Investment Managers against the agreed performance objectives at Trustee meetings held during the Scheme Year. In addition, the Trustee conducted an ESG beliefs survey during the Scheme Year and received training on topics such as Climate Risk, and ESG in the Fiduciary Management solutions.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the Statement of Investment Principles over the Scheme Year. Please note that members’ views on non-financial matters have not been sought during the preparation of this implementation statement.

The Trustee has identified areas in which it can enhance its stewardship activities in the following scheme year by:

- Identifying ESG beliefs and areas of priority to aid in stewardship and focus engagement.
- Reviewing the Fiduciary Manager’s (Schroders Solutions) latest ESG-related policies.
- Continuing to review the Fiduciary Manager on its ESG integration and its own stewardship activities over the year.

3. Voting and Engagement Summary

The process for exercising voting rights and engaging with the managers of assets held on behalf of the Scheme is as follows:

- 1) Engagement and the exercise of voting rights delegated to the Fiduciary Manager

The Fiduciary Manager exercises voting rights and engages with the Underlying Investment Managers on behalf of the Trustee in line with voting and engagement policies that sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund or how the Fiduciary Manager approaches engagement with Underlying Investment Managers and intended outcomes.

- 2) The Underlying Investment Managers exercise voting rights in the underlying securities and engages with the company issuing the security in line with the policies voted on by the Fiduciary Manager. One of the Underlying Investment Managers, Bank of New York Mellon (“BNYM”), uses a proxy voting company called Institutional Shareholder Services (“ISS”) to exercise these rights on its behalf and monitors ISS’s activities accordingly. Similarly, Vanguard Investment Stewardship also uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.

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The Trustee has considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio, cashflow matching credit portfolio and the liability hedging portfolio and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustee noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment Managers showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- There are two set of engagement priorities/themes from the Fiduciary Manager which the Trustee considered in this Implementation Statement. Examples were provided in the appendix and they were selected to demonstrate how the Fiduciary Manager & Underlying Investment Managers, on behalf of the Trustee, voted and engaged with the investee companies. Those engagement priorities and themes are set out below:

o For R&M Solutions engagement priorities up to January 2022 (which will be aligned with Schroder Solutions' going forward given the acquisition of the business):

- **E** - Climate change: carbon emissions and footprint of our funds
- **S** - Human capital: employee engagement and satisfaction
- **G** - Corporate governance: board composition, executive pay / compensation

o For Schroder Solutions' engagement themes (from February 2022 onwards):

- **Climate:** Climate risk and oversight, Climate alignment including decarbonising and minimising emissions, climate adaptation and carbon capture and removal
- **Natural Capital and Biodiversity:** Nature-related risk and management, circular economy, pollution and waste, sustainable food and water, deforestation
- **Human Rights:** Overarching approach to human rights, works and communities, customers and consumers Amey OS Pension Scheme ('Scheme') 7
- **Human Capital Management:** Corporate culture and oversight, investment in the workforce, engagement and representation, health, safety and wellbeing
- **Diversity and Inclusion:** Board diversity and inclusion, executive & Workforce diversity and inclusion
- **Corporate Governance:** Board and management, executive remuneration, relationship with shareholders

- For the Scheme, the general themes of the voting and engagement activity carried out by the Underlying Investment Managers were in relation to environmental issues, and corporate governance. Executive pay, board diversity and improving social outcomes were the other main themes identified - in line with the Fiduciary Manager's engagement priorities set out above.
- On behalf of the Trustee, the Scheme's Fiduciary Manager have also identified five Underlying Investment Managers who will be the engagement targets over the next scheme year. The main engagement themes include working with those Underlying Investment Managers to create formalised ESG related investment policies and improving the board independence and diversity.

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- As a result of the Russia-Ukraine war, the Fiduciary Manager has implemented a no-Russia investments policy, and by the end of March 2022, Schroders Solutions had begun removing any Russia exposures from the portfolio and engaging with underlying managers who continue to hold exposures. The Trustee is supportive of this approach and receives updates from the Fiduciary Manager on the success of its engagements in this area. An example where the Fiduciary Manager has been successful with engaging with underlying managers is with a hedge fund manager within the alternatives allocation of the Fiduciary portfolio. As a result of the recent engagement with the manager seeking to maintain client investment without exposure to certain Russian assets, the fund now has no exposure to Russia and Belarus and the exclusion of cannabis companies. Additionally, all existing fund terms remain unchanged (fees, liquidity, valuation methodology).

Some details of the voting and engagement from the Scheme's Underlying Investment Managers are set out below:

Within the Scheme's portfolio, BNYM Global Equity Fund makes up the majority of the Scheme's investments in return-seeking equity assets, the Trustee noted that BNYM prioritised engagement with each of their underlying holdings on areas largely in line with Schroders Solutions' engagement themes. The BNYM annual 2021 and semi-annual 2022 proxy voting reports (links included in Appendix) were reviewed by the Trustee. The proxy voting report includes details of the significant votes and engagement examples covering a board range of underlying investment companies.

- An example would be their engagement with an is an American multinational food processing and commodities trading corporation. In May 2022, BNYM voted for a shareholder proposal requesting that the company report on how the company is measuring its use of pesticides that cause harm to human health and environment in its agricultural supply chains. The company does not currently provide targets on pesticide use which lagged its peers. Although the proposal did not pass, Mellon will continue to engage with the company to disclose more information on how the company is managing supply chain risks around this topic.
- For the largest mandate within the return-seeking credit assets, engagement on improving risk controls and governance structure was noted as a significant example. The manager engaged with a leading global aerospace company on factors to which MSCI assigned a Very Severe Controversy flag. Through continued engagement over a 4 year period, the company has addressed the manager's concerns regarding its governance and risk controls. An example of the engagement's success was the change in Executive compensation to having an increased focus on operational performance tied to product safety, employee safety and quality, along with climate and DEI criteria. Additionally the company improved risk controls following their engagement with the manager, by implementing safety and quality management systems along with creating an independently managed safety committee.
- For the Cashflow Matching Credit mandate, an example of Insight's engagement with a Mexican telecommunications corporation was noted. Insight identified that the company had poor governance scores with concerns about the board's limited diversity, independence and skills. Through their Amey OS Pension Scheme ('Scheme') 8 engagement, Insight pushed the issuer to set targets related to board representation and diversity. The company were open to the manager's feedback and have made improvements such as achieving a new target they had set to increase the board's female representation. Insight will continue to monitor the success of this engagement by tracking the company's progress in setting and meeting it's targets in this area.
- In relation to the liability hedging, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored. The Scheme is also invested in green gilts supporting the UK Government's commitments to achieving the Paris Agreement goals. The different sections' allocation in Green Gilts was as at 30 September 2022 as follows

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- o Amey Section - £0.6m (c.5% of total LDI).
- o Accord Section - £0.3m (c.1.2% of total LDI)
- o APS Section - £1.4m (c.1.1% of total LDI)

The Trustee is satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers was in line with the Trustee's policies contained in the SIP and that no changes are required to these policies at this time. The Trustee will keep the position under review.

Appendix 1 – Voting & Engagement statistics

1. Voting and engagement by the Fiduciary Manager (Schroders IS, formerly known as R&M) in relation to underlying pooled funds held on behalf of the Trustee

Most of the rights and voting regarding the Scheme's investments relate to underlying securities investment via pooled funds managed by Underlying Investment Managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee and we cover these here.

Over the year to 30 September 2022, the Fiduciary Manager voted on 67 resolutions across 22 meetings. The Fiduciary Manager voted against management on 7 resolutions which was 10.4% of total resolutions and abstained on 2 resolutions (3.0% of the total resolutions).

The Schroders IS Investment Research team engaged with Underlying Investment Managers regarding their clients' pooled fund investment on 67 resolutions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

Over the Scheme Year, the Fiduciary Manager also

- engaged all Underlying Investment Managers on their plans relating to net zero and will engage on a regular basis with those who do not have any net zero target or plan to decarbonise;
- engaged with significant Underlying Investment Managers (in particular, BNYM) on the quality of its voting and engagement as the Fiduciary Manager is not satisfied with the quality of data currently provided.
- reviewed all Underlying Investment Managers against its updated proprietary ESG manager rating framework and will prioritise its engagement with five managers where ESG-related issues have been identified. The Fiduciary Manager plan to report back to the Trustee in the next Implementation Statement on progress. The top engagement themes are set out in the table below:

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Top engagement themes

Manager A – Equity

- Board independence and diversity
- Incorporating ESG into employee training and appraisals/remuneration
- Voting policy and engagement processes

Manager B – Alternatives

- Integrating ESG into corporate by signing up to voluntary standards and formalising policies
- Board independence and diversity
- Formalise voting and engagement policy

Manager C – Alternatives

- Integrating ESG into corporate by signing up to voluntary standards and formalising policies
- Formalise voting and engagement policy ♣ Formalise ESG investment policy

Manager D – Alternatives

- Formalise diversity policy
- Formalise voting and engagement policy Amey OS Pension Scheme ('Scheme') 10
- Formalise ESG investment policy

Manager E – Alternatives

- Creation of ESG working group to look into voluntary standards and formalising ESG policies within the business.
- Formalise diversity policy
- Formalise ESG investment policy

2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustee

There are c. 20 Underlying Managers used by the Investment Manager. Set out below is the voting statistics for the most material equity holdings that held voting rights during the period, namely BNY Mellon Global Equity and Vanguard FTSE All World ETF Fund. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been discussed with the Trustee as described in section 3 above.

Summary of voting activity – Equity mandates

	BNYM Global Equity Fund	Vanguard FTSE All World ETF Fund
Total meetings eligible to vote	910	5,610
Total resolutions eligible to vote	11,462	58,365
% of resolutions did you vote on for which you were eligible?	99%	97%
% did vote with management?	91%	92%
% vote against management?	7%	6%
% abstained	1%	2%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%	0%

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Note:

- BNYM uses Institutional Shareholder Services, “ISS”, for proxy voting services.
- Vanguard Investment Stewardship uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM does not use PLSA template. We included votes withheld in votes abstained for BNYM to be in line with the PLSA template, although there are differences between votes withheld and votes abstained. BNYM also did not vote on 1% of the overall proposals.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management. Amey OS Pension Scheme (‘Scheme’) 11

3. Examples of most significant votes and engagements carried out by the Underlying Managers

Engagement priorities	Examples
Climate change	Caterpillar, Bank of Montreal, ADM
Human capital	Visa Inc., J Sainsburys
Corporate governance	Equifax, Intel

BNYM Global Equity Fund

Visa, Inc.

Mellon believes that human capital management is an area that should be a focus for all companies regardless of industry or size, as a company's employees are the foundation for their success.

BNY Mellon engaged with the Chief Sustainability Officer and Director of ESG Management at Visa as they wanted an update on the progress being made on the company's public goals of increasing diversity specifically at the VP level and above in the US. They specifically wanted more information on internal leadership development programs and scholarships/internships focusing on diverse students.

In order to better understand how the programs are growing and serving their stated goals, the manager requested specific examples of programs in Visa's disclosures. Mellon plan to continue focussing on the progress and transparency in disclosures from Visa in this area.

Mellon asks companies that they improve their transparency in reporting on human capital-related metrics. If there is a perceived failure of companies adhering to this request, Mellon will take voting action against the board committee responsible for human capital oversight.

Intel Corporation

Remuneration is a key theme Mellon focuses on in engagement as well as voting as they believe that a large amount of shareholder value can be lost through poor remuneration practices and poor executive succession planning. Mellon engages on remuneration with all companies, however puts a specific focus on companies that have failed their advisory votes or where advisory votes receive less than 70% support.

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Intel was chosen as an engagement example as Mellon did not support the Company's previous remuneration structure when a new CEO was put into place, and the company failed their advisory remuneration vote.

Engaging with the Compensation Committee Chair; other members of the legal team and the Comp and Benefits team, Mellon inquired as to why Intel did not survey shareholders for their input before the remuneration scheme was put into place.

The outcome of this engagement was positive as the company made changes to the new CEO's remuneration structure. Mellon will continue to monitor remuneration decisions at the company and will withhold support for comp committee members if the company does not stick to their commitment.

EQUIFAX, INC.

Mellon met with Equifax on December 9, 2021. BNY have engaged with Equifax since 2015 to improve compensation practices. As a result of their discussions, Equifax aligned its compensation to have a more performance-based long-term incentive plan (LTIP), in line with Mellon's guidelines. Equifax noted that Underlying Manager's feedback over years of engagement was a catalyst of change for its compensation structure.

ARCHER-DANIELS-MIDLAND COMPANY

In May 2022, Mellon supported a shareholder proposal requesting a report explaining if and how the company is measuring its use of pesticides that cause harm to human health and the environment in its agricultural supply chains. Archer-Daniels-Midland does not currently provide targets on pesticide use when many of their peers do. In instances where supply chain concerns could pose a material risk to a company, Mellon prefer that companies be as transparent as possible in disclosing their processes and data around managing this risk. The proposal did not pass, and we will continue to encourage Archer-Daniels-Midland to disclose more information on how the company is managing supply chain risks around this topic.

Vanguard FTSE All-World ETF Fund

Bank of Montreal

Bank of Montreal is a Canada-based diversified financial services company. Vanguard have engaged with the company's leaders multiple times in recent years and have discussed various topics, including shareholder proposals and oversight of environmental risk.

In Vanguard's most recent engagement, they met with company management to discuss a shareholder proposal that asked the company to adopt a policy that would ensure that Bank of Montreal's financing activities would not contribute to new fossil supplies, consistent with the International Energy Agency's (IEA) Net Zero Emissions by 2050 scenario.

During Vanguard's engagement, Bank of Montreal executives mentioned the company's public commitment to decarbonization and other efforts the company had underway. As part of that commitment, it disclosed Scope 1 and 2 intensity targets for its business with that sector along with a Scope 3 absolute emissions reduction target. The company had not committed to the IEA's Net Zero by 2050 pathway. The company also took the opportunity during this engagement to explain how its board of directors is educated about climate risk on an ongoing basis. This discussion complemented the company's TCFD report and other disclosures.

The Vanguard funds do not seek to dictate company strategy or operations, including strategy or operations related to climate matters. This proposal, if fully implemented, would have precluded Bank of Montreal from doing business with certain types of clients or under certain circumstances. The Vanguard funds did not support the proposal, which received just 7.5% support.

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J Sainsbury Plc

At the annual meeting on 7 July 2022, Vanguard funds did not support a shareholder proposal directing the company to become accredited by the Living Wage Foundation, an organisation that sets out a framework for pay linked to a regional cost-of-living assessment. The proposal received 17% support from shareholders.

Vanguard has engaged over several years with the Sainsbury's board and executive management. Vanguard's recent discussions included the board's oversight of HCM and its role in navigating the cost-of-living crisis with respect to stakeholders, including its workforce and customers. The proposal in question directed the company to be accredited as a Living Wage Employer by July 2023. The resolution further asked the company to conduct an analysis (also by July 2023) of third-party contractors that earn below the real Living Wage and to work with external partners to increase all subcontracted workers to the real Living Wage rate by 2026. In assessing this shareholder proposal, Vanguard sought to understand the company's current practices, including its disclosure of the board's oversight framework for these issues. Vanguard observed that Sainsbury's pay practices met or were above the real Living Wage. In addition, a majority of its outsourced employees were paid a living wage. Beyond direct pay, Sainsbury's reviewed and improved other employee benefits.

Vanguard reviewed the implications of signing up to an independent external pay benchmark when Sainsbury's has already made commitments involving wages that include factoring in the real Living Wage, the National Living Wage, and benchmarking pay competitively to peers annually. The company operates in a sector where margins are low and workforce pay is a key cost consideration. Vanguard determined that the proposal's requests (which were binding) were too prescriptive and that the setting of wages should fall under the company's operational decisions, which are best left to the board and executive management. Additionally, through ongoing dialogue with the company, Vanguard did not conclude that the proposal addressed a material gap or failure of oversight by the board.

Caterpillar

Caterpillar, a U.S.-based construction machinery company, received four shareholder proposals ahead of its 2022 annual meeting, including one that requested medium- and long-term greenhouse gas (GHG) targets aligned with the Paris Agreement's goal of maintaining the global temperature rise at 1.5 degrees Celsius and that sought disclosure of progress made toward achieving such goals.

Caterpillar has set, and revised, its GHG emissions reduction targets several times since 2006. Its most recent targets, set in 2021, are to reduce Scope 1 and 2 emissions 30% by 2030, from a baseline year of 2018. Caterpillar says it does not currently have a Scope 3 emissions reduction target, explaining that factors affecting such emissions are largely outside the company's control. In its response to the shareholder proposal, the company indicated that its next sustainability report would clarify whether Caterpillar would set the specific targets requested by the proposal or provide a rationale for not doing so. The company also committed to including Scope 3 disclosures and using the TCFD framework in future sustainability reporting.

During two engagements leading up to the 2022 annual meeting, the Vanguard team spoke with Caterpillar executives and an independent director about the company's GHG emissions targets and sought to understand its efforts to improve future disclosure. Notably, the board recommended voting in favour of this proposal, stating that such support would demonstrate its commitment to transparency in climate accountability.

The Vanguard funds supported the board's recommendation and voted for the proposal, which other shareholders also strongly endorsed, as it garnered over 95% support.

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Cashflow Matching Credit – Insight

Insight, as a global asset manager, understands that they must demonstrate the highest standards of accountability and transparency in our stewardship programme. They have an unwavering commitment to stewardship.

They believe effective stewardship includes taking clients' needs into account and working for the benefit of all stakeholders. Given Insight's business focus on risk management, liability driven investment (LDI) and fixed income, for clients with very long-term investment horizons, their activity looks different when compared to the activity of many of our peers in the investment management industry, which focus largely on equities.

They aim for transparency across all our activities, and collaborate with stakeholders where they believe we can maximise the impact of our engagement.

Engagement with issuers is a key part of their credit analysis and monitoring and complements our approach to responsible investment. As a matter of policy, all their credit analysts regularly meet with issuers to discuss ESG related and non-ESG related issues. Given the size and depth of their credit analyst resource, one of the key inputs into their ESG analysis is the direct information which they receive from companies via engagements that take place. They also have a dedicated stewardship programme, which includes their prioritised ESG engagement themes. Their prioritised themes for this year are climate change, water management, and diversity and inclusion. They use a research-led approach to identify the worst performers to initiate targeted engagement to encourage change across each of these themes.

Most significant company engagements

EDF

Background

EDF is an electric utilities company. The company uses nuclear power, coal, gas and renewables.

This engagement was identified through our targeted climate engagement programme due to the size of EDF's Scope 1 and 2 emissions. The purpose of Insight's engagement was to understand EDF's approach to decarbonisation, to supplement our assessment of whether they are on a Net Zero pathway.

This engagement was aligned to SDG 13 - Climate Action.

Engagement The engagement was hosted by their Senior Stewardship Analyst. They have been discussing ESG matters with EDF for a number of years, dating back to 2020.

EDF has set a Net Zero by 2050 target. Its decarbonisation strategy, called the 'Sustainable Business Roadmap'. This sets out the step-by-step process for EDF to meet its Net Zero target. EDF has set a science based target (approved by SBTi) to reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2017 base year. EDF group commits to reduce absolute scopes 3 GHG emissions from use of sold product 28% by 2030 from a 2019 base year. It has also formally committed to getting its Net Zero target certified by SBTi.

To support the decarbonisation process, EDF will be completely coal free in Europe by 2026. Rest of the world will be by 2030. Only 0.6% of generation is from coal, currently. The coal exit strategy has not changed following the events in Russia, EDF still plan to shutdown coal using the same timeline. EDF is shutting down its remaining coal plant in the UK (West Burton) this year. There is 1 plant in France, but the outputs are limited.

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Outcomes

EDF is in a strong position to progress towards Net Zero due to its carbon intensity, which is 90% lower than the peer average. This is driven by the high proportion of nuclear energy used, which, although it has a number of safety concerns, it is very low carbon.

It is also increasing renewables, onshore wind, offshore wind, solar and hydroelectric, with EDF focusing on increasing solar the most. No specific improvement areas identified, however EDF's ageing reactions pose potential risks of nuclear plant outages / early shutdowns due to issues such as cracks in the graphite core. It also has heightened safety risk due to the large proportion of nuclear energy used, and EDF continues to look to open new nuclear energy locations.

Whilst it appears that these risks are well managed, Insight will closely monitor EDF's performance in these areas, in addition to its progress towards its net zero goal.

Anheuser-Busch InBev

Background

Insight chose to engage with Anheuser-Busch InBev (ABI BB) as it scores a low 4 in governance. During the call they discussed a range of ESG topics relevant to the following SDGs: 8 Decent Work and Economic Growth, 13 Climate Action and 16 Peace, Justice and Strong Institutions

Engagement

This was the second engagement with Anheuser-Busch InBev (ABI BB) on ESG matters. The meeting was hosted by their Insight Analyst with the CSR team. Both meetings have been group meetings with the Treasurer hosting the initial meeting in 2021.

Outcomes

They discussed their various KPIs - over 3,000 colleagues carry these targets, cascaded through procurement, finance, logistics, packaging as well as executive levels. The key points discussed were:

- Executive compensation – variable compensation and bonuses for short-term is linked to sustainability factors;
- Governance - ethics and transparency is a key priority;
- Code of conduct for local laws and regulations as well as the stricter internal standards;
- Digital ethics: how information is collected and analysed: only collect necessary, use and keep as required, focus on privacy.

Whilst it is too soon to know if any changes have come of this engagement, the team were engaged and thorough and we were satisfied that they have taken on board their input. As such, they will continue to engage with them in the future, to monitor progress.

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Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both Investment Manager and Underlying Investment Managers can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	https://www.schroders.com/en/sysglobalassets/aboutus/schroders-engagement-blueprint-2022-1.pdf
Bank of New York Mellon	<p>BNYM's voting and engagement policies are included in their annual Mellon proxy voting report which can be found in the link below:</p> <p>https://www.mellon.com/insights/insights-articles/2021-proxy-voting-report.html</p> <p>https://www.mellon.com/insights/insights-articles/2022-semi-annual-proxy-voting-report.html</p>
Vanguard	<p>Disclosure of rationale of voting can be found:</p> <p>https://global.vanguard.com/portal/site/portal/investment-stewardship/perspectives-commentary</p>
Leadenhall	https://www.leadenhallcp.com/esg
Neuberger	https://www.nb.com/en/global/esg/engagement
CBRE	<p>CBRE Global ESG policy: https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf</p>
Insight	https://www.insightinvestment.com/investing-responsibly/

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Appendix 2

Statement of Investment Principles

Amey OS Pension Scheme

September 2021

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Introduction

This document constitutes the Statement of Investment Principles ('the SIP') 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 River and Mercantile 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 written 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 be undertaken through the fiduciary management service of River and Mercantile Investments Limited ('R&M Solutions'), hereafter referred to as the 'Investment Manager'.

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 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

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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, the Trustee of the Scheme has set the following qualitative objectives:

1. The acquisition of suitable assets, having due regard to the risks set out in this Statement, which will generate income and capital growth to pay, together with contributions from members and the Sponsoring Employer, the benefits which the Scheme provides 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 any statutory funding requirement.
3. To achieve a return on investments which is expected to at least meet the Scheme Actuary's assumptions over the long term.

In quantitative terms, the Trustee invests the assets in a blend of Growth assets (including an Equity Derivative Overlay Strategy) that broadly targets 3%-4% above cash, a portfolio of Investment Grade credit that broadly targets up to 1% above cash, a liability hedge which aims to mitigate the change in the liabilities. The Trustee decides the blend of these funds (excluding the buy-in where applicable) to target the appropriate return for the Scheme and this is shown in the Quarterly Monitoring Report.

Implementation of investment strategy

The Trustee has delegated the investment of the Scheme assets to the Investment Manager, which has discretion to invest the Scheme assets in underlying securities and funds, either directly or through the use of other investment managers (hereafter referred to as the 'Underlying Managers') to run the portfolio on a day-to-day 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 will consider whether or not the Investment Manager:

- Is carrying out their 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 their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

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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

The Trustee and Investment Manager have agreed, and will maintain, formal agreements 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 R&M Solutions, 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 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 Investment Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. For any special resolutions or extraordinary general meetings, the proposed votes of the Investment Manager are subject to additional sign-off by the appropriate representative from the Investment Manager.

The Investment Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Investment Manager reviews the governance structures of Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Investment Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives. The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Investment Manager, as detailed above.

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of ongoing Investment management business activities. As an FCA regulated firm, the Investment Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of

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incorporation or operations. The Investment Manager directly monitors these as part of their regulatory filings (where available), the Investment Manager also monitors this as part of ongoing review. The Investment Manager's Conflict of Interest policy is available publicly here:

https://riverandmercantile.com/Asp/uploadedFiles/file/Corporate_Governance/RMG_Conflicts_of_Interest_Policy.pdf

The Investment Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Manager's expectations. Where there are material deviations the Investment Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

Realisation of Investments

The majority of assets (excluding the buy-in where applicable) are held in underlying pooled funds, most of which can be realised easily if the Trustee so requires. The Investment Manager is permitted to hold illiquid investments (as defined in the Fiduciary Management Agreement), which the Trustee acknowledges can take additional time to realise. The Trustees have considered this risk against the possibility of needing to realise these assets and are comfortable it is a reasonable approach to take.

Derivatives

The Trustee may enter into contracts with counterparties, including investment banks, in order to execute derivative transactions. The Trustee has taken advice on the suitability of the contracts and has delegated responsibility to the Investment Manager to implement these instruments on its behalf. Derivative instruments are typically used for risk management purposes in the portfolio.

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.

The Trustee's policy is to delegate consideration of financially material factors, including ESG to the Investment Manager (for the Scheme assets excluding the buy-in where applicable) who considers these when constructing the portfolio, including looking at Underlying Managers. All references to ESG relate to financial factors only. All references to ESG also include climate change. 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.

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ESG factors and stewardship are considered, in the context of long-term performance, by the Investment Manager as part of the manager selection criteria. This review occurs before they are approved for investment in the portfolio. Once an Underlying Manager is appointed, the Investment Manager monitors the ESG implementation and ongoing compliance with other factors, such as stewardship, as a part of overall engagement.

Risks

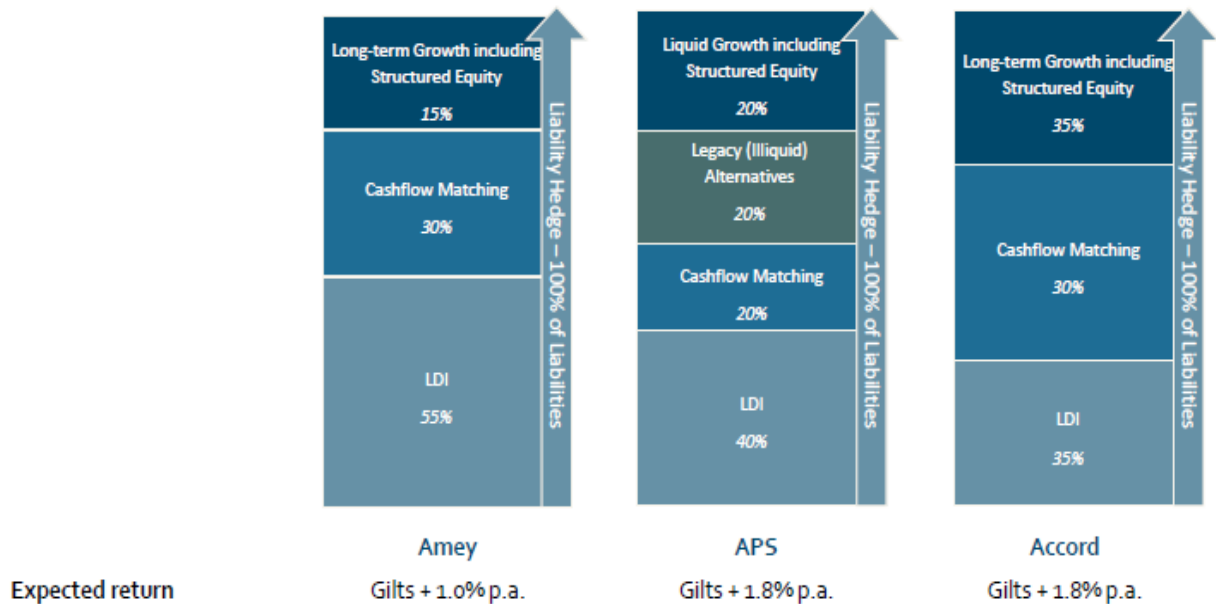
The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. These risks, and how they are measured and managed, include:

- **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:
 - A liability benchmark or 'LB' is used as a proxy for the liabilities (excluding those covered by the buy-in where applicable) in order to measure the approximate changes in these liabilities (due to changes to the relevant gilt yields only). The Trustee monitors this change relative to the change in asset values (excluding the buy-in where applicable) on a quarterly basis. The LB is reviewed following each actuarial review, or when significant market or Scheme events (e.g. a significant change in inflation expectations) imply that an amendment may be appropriate.
 - The Trustee also recognises the risk of a negative impact on the funding level due to changes in the actuarial assumptions used to calculate the liabilities and variation in experience. This is managed by aiming for a higher overall investment return than implied by the liability discount rate.
 - When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the LB and can therefore also be assessed as part of the quarterly review process.
 - This risk is also monitored through regular actuarial and investment reviews including monthly portfolio updates.
 - **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustee. This risk is minimised using the following techniques:
 - Appropriate diversification across asset classes, within sectors and between individual stocks to minimise the effect of a particular stock or sector performing badly.
 - The use of instruments and strategies designed to control the extent of downside exposure.
 - The selective use of active management when appropriate given market conditions, the asset class considered and where the benefits (risk and/or return) are expected to outweigh the additional costs/fees.
 - Regular monitoring of the managers' performance, processes and capabilities with respect to their mandate and by the diversification across multiple Underlying Managers by the Investment Manager.
 - **Cash flow risk** – addressed through
 - The buy-in, which provides cashflows over time in order to meet a portion of the Scheme's pensioner benefit outgo
 - The monitoring of the cash flow requirement of the Scheme to control the timing of any investment/disinvestment of assets.
 - The Trustee has also put in place a dedicated cashflow matching portfolio that is intended to mitigate the risk

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Appendix A – Current Investment Strategy



Source: R&M as at 30th June 2021. For deriving Expected return, we have assumed Cash+4% p.a. for the growth assets, Cash+1% p.a. on the Matching credit/Cashflow Matching assets and Gilts+0% p.a. on LDI assets. Liability hedge is on a Gilts + 0.25% p.a. liability basis.