

Amey OS Pension Scheme (‘Scheme’)

30 September 2023 Implementation
Statement

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”).

A new set of guidance (“the Guidance”) from the Department for Work and Pensions (“DWP”) has been issued with a series of statutory & non-statutory guidance. They aim to encourage the Trustee of the Scheme to properly exercise their stewardship policy including both voting and engagement which is documented in the Scheme’s 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 year’s Implementation Statement in accordance to the latest guidance from the DWP.

The SIP was reviewed over the Scheme year and amended in February 2024, prior to the publication of this Implementation Statement. The changes to the SIP were made to account for the non-statutory guidance from the DWP and to reflect the Scheme’s completion of a bulk annuity (buy-in) transaction with Pension Insurance Corporation (PIC, “Insurer”) in December 2022. While the Trustee had drafted the amended SIP during the year to 30 September 2023, the publication was delayed as the Trustee focused its effort over the period to ensure a smooth transition of the assets to the Insurer and the appropriate investment of the remainder of the Scheme’s assets, in line with the Trustee’s investment objectives. This Implementation Statement was drafted based on the February 2024 SIP, and thus, the Trustee believe it satisfies the new statutory requirements set out by the DWP.

A copy of the current SIP signed and dated February 2024 can be found under the Scheme Document tag under each section link of the Scheme website that can be found here - <https://www.my-amey-os-pension.com/>.

This Implementation Statement covers the Scheme year from 1 October 2022 to 30 September 2023 (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://www.my-amey-os-pension.com/>

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

The Trustee uses the Fiduciary Management service of **Schroders IS Limited** as their Investment Manager and Adviser (it is referred to as the “**Fiduciary Manager**” in the Implementation Statement). 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
- Engagement Blueprint awarded ESG Engagement Initiative of the Year at Environmental Finance’s Sustainable Investment Awards 2022
- Best Investor Engagement recognition from IR Society Best Practice Award for 2021

The Fiduciary Manager can appoint other investment managers to manage part of the Scheme’s assets (these are referred to as “**Underlying Investment Managers**”). The Scheme invests in some assets with voting rights attached (e.g. equities) and with engagement possible in relation to most asset classes. Whilst the Trustee has delegated responsibility to the Fiduciary Manager and Underlying Managers for voting and engaging on its behalf, the Trustee regularly reviews the approach and stewardship policies of the Fiduciary Manager to ensure they are aligned with the Trustee’s beliefs and objectives.

A copy of the Scheme’s SIP has been provided to the Fiduciary Manager, and the Fiduciary Manager is expected to follow the Trustee’s investment policies when providing Fiduciary Management services. However, given that the investments with the Underlying Investment Managers are generally made via pooled funds (where the Scheme’s investments are pooled with those of other investors), the Fiduciary Manager does not have direct control over voting or engaging with the companies that issue the underlying securities. This process lies with the Underlying Investment Manager, who may have different engagement priorities than the Trustee. Therefore, the Trustee requires the Fiduciary Manager to integrate stewardship activities such as voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change, into the selection or monitoring of Underlying Investment Managers. The Trustee believes it is appropriate to delegate the decision of appointing and monitoring Underlying Investment Managers to the Fiduciary Manager, who will be able to influence the Underlying Investment Manager’s voting and engagement policies. Consequently, the Trustee can largely exercise their stewardship policy as set out in the Scheme’s SIP.

The Trustee has aligned its stewardship priorities with the Fiduciary Managers’ 2023 Engagement priority themes (Climate Change, Natural Capital & Biodiversity, and Human Rights), given the Trustee believes that these themes are issues material to the long-term value of the investments. These issues also reflect expectations and trends across a range of stakeholders, and by strengthening relationships with these stakeholders, business models become more sustainable, which ultimately should enhance the value added to the Scheme’s investment, and hence benefit the Scheme’s members and beneficiaries. Therefore, the Trustee believes that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme.

On behalf of the Trustee, the Fiduciary Manager carried out regular investment and operational due diligence on the Underlying Investment Managers to monitor voting and engagement policies concerning the Scheme’s investments. Additionally, before the bulk annuity transaction took place in December 2022 with the Insurer PIC, the Trustee monitored the performance of the Underlying Investment Managers against the agreed performance objectives. This was done with the help of the Fiduciary Manager at Trustee meetings held during the Scheme Year.

Since the buy-in transaction in December 2022, the Trustee has worked closely with the Fiduciary Manager to determine an appropriate investment strategy for the Scheme's remaining assets. These residual assets are used to pay any outstanding premium relating to the buy-in transaction once the true up has been completed, to cover the liabilities of the Scheme's remaining active members and Scheme expenses. As these assets do not have the voting rights attached, this Implementation Statement has been prepared to cover the period prior to the buy-in, when the Scheme held the full Fiduciary Management portfolio.

Given the activities carried out during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the DWP Guidance over the Scheme Year.

3. Voting and Engagement Summary

During the Scheme Year, the full fiduciary management portfolio was only held for approximately two months before a bulk annuity transaction occurred. Given this, the Trustee decided it was best practice for this Implementation Statement to use data that is most reflective of the latest 12-month period during which the Scheme invested in this portfolio of assets. Henceforth, the following data regarding the stewardship activities of the Fiduciary Manager and Underlying Investment Managers covers the year to 31 December 2022.

On behalf of the Trustee, the Fiduciary Manager exercises voting rights in relation to the pooled funds managed by the Underlying Investment Managers, in line with its voting policy.

Most voting rights and engagement regarding the Scheme's investments relate to underlying securities within these pooled funds. At a general meeting of a company, the Underlying Investment Managers exercise voting rights and engage with the company issuing the security in line with their policies, which the Fiduciary Manager may have influenced. Nonetheless, the pooled funds themselves often confer certain rights around voting or policies, which the Fiduciary Manager exercises on behalf of the Trustee, covered below.

Over the year to 31 December 2022, the Fiduciary Manager engaged with Underlying Investment Managers regarding clients' pooled fund investment on 64 resolutions during the 12 months period across 19 meetings. The Fiduciary Manager voted against management on 4 resolutions which was 6.3% of total resolutions and abstained on 4 resolutions (6.3% of the total resolutions). The engagement topics covered a range of areas, including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

Within the Scheme's portfolio, the **BNYM Global Equity Fund** made up the majority of the Scheme's investments in equity assets, with equity being the only asset class to hold voting rights. The Trustee noted that BNYM prioritised stewardship with each of their underlying holdings on areas broadly in line with Schroders Solutions' engagement themes.

In relation to the liability hedging mandate, during the 'Gilt Crisis' of Autumn 2022 at the start of the Scheme Year (when gilt yields rose unprecedentedly in both the magnitude and timeframe), the Fiduciary Manager carried out multiple engagement activities with Bank of England, the Pensions Regulator and the Financial Conduct Authority ("FCA"), as well as the UK government (e.g. through the Debt Management Office), to ensure that ongoing processes for managing clients' LDI mandates were robust and to input on new regulation regarding collateral adequacy.

In addition to the engagement on the LDI mandate, the Trustee noted that the choice of counterparty for the liability hedging (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) was driven by several factors including credit ratings which take into account ESG factors, and ESG scores for counterparties were regularly monitored and reported on to the Trustee.

The Trustee has considered the voting statistics and behaviour set out in this Implementation Statement, along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio, 'Buy & Maintain' credit portfolio and the liability hedging portfolio, and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated engagement in line with its stewardship policy.

Specifically, the Trustee noted that:

- The Fiduciary Manager has carried out a high level of engagement activities with the Underlying Investment Managers, and some good progress has been achieved such that many of the Underlying Investment Managers' ESG credentials have improved over the Scheme Year. This is particularly true for the managers which the Fiduciary Manager rated as engagement priority over the Scheme Year.

- The Fiduciary Manager has also carried out a very high level of engagement with different governing bodies for the Liability Hedging mandate to ensure that the Scheme’s liability hedging programme not only remained robust during the Gilt Crisis of Autumn 2022 and beyond, but the Fiduciary Manager also provided inputs to those governing bodies to ensure they continue to deliver even better outcomes for their clients, including the Scheme.
- Each 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 activity with the underlying companies over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The Trustee has communicated its stewardship priorities and definition of most significant votes with the Fiduciary Manager, and as per DWP guidance, all votes which meet these criteria have been reported below.

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

Most Significant Votes

The Trustee considers the most significant votes to be those defined as ‘Significant’ by the Underlying Investment Managers and aligned with the Trustee’s stewardship priority themes. Over the year to 31 December 2022, only one vote, based on the data provided to the Trustee, satisfied these criteria.

HUMAN RIGHTS - At the annual Microsoft Corporation meeting on 13 Dec 2022, Morgan Stanley voted for a shareholder proposal regarding a report on government use of Microsoft technology. This vote was considered “most significant” by the Underlying Manager as it was against management and by the Trustee - given the exposure to reputational and human rights-related risks – as it relates to the Human Rights stewardship priority. The vote failed, and Morgan Stanley intend to continue engaging with Microsoft on the topic.

Summary Voting Statistics

As at 31 December 2022, the Fiduciary Manager used c.30 Underlying Managers; however, the equity holdings were the only asset class with voting rights. Below are the voting statistics for the most material, active equity fund held on behalf of the Trustee over the year to 31 December 2022.

	BNYM Global Equity Fund
Total meetings eligible to vote	890
Total resolutions eligible to vote	11,333
% of resolutions did you vote on for which you were eligible?	100%
% did vote with management?	93%
% vote against management?	7%
% abstained	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%

Note:

- BNYM, use Institutional Shareholder Services, “ISS”, for proxy voting services. BNYM also utilises Glass Lewis for research. The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.

- BNYM have included votes withheld in votes abstained (in order to be in line with the PLSA template which other managers have used), although there are differences between votes withheld and votes abstained.
- 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.

The Trustee is satisfied that the voting and engagement activities undertaken by both Fiduciary Manager and the Underlying Investment Managers align with the stewardship priorities the Trustee has determined during the Scheme Year.

Approved by the Trustee of the Amey OS Pension Scheme on 16 April 2024.

Appendix 1 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both Investment Manager and Underlying Investment Managers of the Scheme's largest holdings can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	schroders-esg-policy.pdf https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf
Bank of New York Mellon	BNYM's voting and engagement policies are included in their annual Mellon proxy voting report which can be found in the link below: https://www.mellon.com/insights/insights-articles/2022-semi-annual-proxy-voting-report.html https://www.mellon.com/insights/insights-articles/proxy-voting-report-spring-2023.html
Morant Wright	https://www.morantwright.co.uk/sites/default/files/policies/voting_policy_2023.pdf
Leadenhall	https://www.leadenhallcp.com/esg
Neuberger Berman	https://www.nb.com/en/global/esg/engagement
CBRE	CBRE Global ESG policy: https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf
Insight	https://www.insightinvestment.com/investing-responsibly/