

The Pension Plan of Posford Haskoning Limited

Statement of Investment Principles

Barnett Waddingham LLP

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1 Introduction

- 1.1 This is the Statement of Investment Principles prepared by the Trustees of the Pension Plan of Posford Haskoning Limited ("the Plan"). This statement sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:
- the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by:
 - the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2 In preparing this Statement, the Trustees have consulted HaskoningDHV UK Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3 This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4 The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

2 Choosing investments

- 2.1 The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2 The day-to-day management of the Plan's assets is delegated to one or more investment managers. The Plan's investment managers are detailed in Appendix 1 to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3 The Trustees review the appropriateness of the Plan's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the Principal Employer before amending the investment strategy.

3 Investment objectives

- 3.1 The Trustees have discussed key investment objectives in light of an analysis of the Plan's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:
- to achieve a fully funded position on a Technical Provisions basis;
 - to implement an investment strategy targeting a return of 1.9% p.a. in excess of gilts¹, where gilts are represented by the yield on the FTSE Actuaries Over 15 Year Gilt Index;
 - to acquire suitable assets to achieve the above objective whilst controlling volatility and the long-term costs of the Plan; and
 - to adhere to the provisions contained within this Statement.
- 3.2 The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Plan's objectives as best as possible.

4 Kinds of investments to be held

- 4.1 The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.
- 4.2 The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Plan's auditors.

5 The balance between different kinds of investments

- 5.1 The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.
- 5.2 The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 to this Statement.
- 5.3 From time to time the Plan may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4 The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

¹ This is the expected return based on the strategic asset allocation in Appendix 1 and Barnett Waddingham's best estimate return assumptions as at 30 September 2022

6 Risks

6.1 The Trustees have considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities, and considered ways of managing / monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.
Covenant risk	The creditworthiness of the Principal Employer and the size of the pension liability relative to the Principal Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Plan's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement.
ESG / Climate risk	The Trustees have considered long-term financial risks to the Plan and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.

Loss of investment

The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7 Expected return on investments

- 7.1 The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2 The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3 In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4 Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Plan's funding position.

8 Realisation of investments

- 8.1 The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2 Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

9 Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities and arrangements with asset managers

- 9.1 The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2.

10 Agreement

- 10.1 This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Principal Employer, the investment managers, the Scheme Actuary and the Plan auditor upon request.

Appendix 1 Note on investment policy of the Plan in relation to the current Statement of Investment Principles

1 The balance between different kinds of investment

The Plan has a strategic asset allocation as set out in the table below, which has been agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes and the need for diversification. This strategic allocation is currently under review.

Manager / Fund		Allocation ²
Growth portfolio		50.0%
Aberdeen Standard	Vanguard UK Tracker Fund	10.2%
	Vanguard Emerging Markets Index Fund	2.8%
Legal & General	North America Equity Index GBP Hedged Fund	2.8%
	Europe Ex UK Equity Index GBP Hedged Fund	2.8%
	Asia Pacific Ex Japan Equity Index GBP Hedged Fund	2.8%
	Japan Equity Index GBP Hedged Fund	2.1%
M&G	Alpha Opportunities Fund	5.0%
	Episode Income Fund	11.5%
Partners Group	Partners Fund	10.0%
Protection portfolio		50.0%
Legal & General*	Matching Core Funds	50.0%
	Absolute Return Bond Fund	
Total		100%

*The benchmark allocations for the LGIM Matching Core Funds and Absolute Return Bond Fund have been combined as this will fluctuate over time as the level of leverage within the Matching Core Funds changes.

Rebalancing

The Trustees recognise that the asset allocation of investments in different asset classes will vary over time because of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances.

² Sum of these may not add up to 100% due to rounding

2 Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Plan:

- Aberdeen Standard Investments,
- Legal & General Investment Management,
- M&G Plc, and
- Partners Group (Guernsey) Ltd.

The Trustees also have AVC contracts with Clerical Medical and Phoenix Life for the receipt of members' Additional Voluntary Contributions (AVCs).

The investment managers and AVC providers are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each investment manager are given below:

Investment Manager	Fund	Benchmark	Objective
M&G	Alpha Opportunities Fund	1-Month LIBOR	+3% p.a. (gross of fees) over and economic cycle
	Episode Income Fund	n/a	Grow the level of income and provide capital growth from 2% p.a. to 4% p.a. (net of fees) over any 3-year period
Aberdeen Standard	Vanguard UK Tracker Fund	FTSE All Share Index	±0.15% p.a. (gross of fees)
	Vanguard Emerging Markets Index Fund	MSCI Pacific Ex Japan Index	±0.25% p.a. (gross of fees)
Legal & General	North America Equity Index GBP Hedged Fund	FTSE North America Index (less withholding tax where applicable)	±0.5% p.a. (gross of fees) for two years out of three
	Europe Ex UK Equity Index GBP Hedged Fund	FTSE Developed Europe Ex UK (less withholding tax where applicable)	±0.5% p.a. (gross of fees) for two years out of three
	Japan Equity Index GBP Hedged Fund	FTSE Japan Index (less withholding tax where applicable)	±0.5% p.a. (gross of fees) for two years out of three
	Asia Pacific Ex Japan Equity Index GBP Hedged Fund	FTSE World Asia Pacific Ex Japan Index (less withholding tax where applicable)	±0.5% p.a. (gross of fees) for two years out of three

Partners Group	Partners Fund	n/a	Notional absolute return from 8% p.a. to 12% p.a. (net of fees)
Legal & General	Matching Core Funds	n/a	Achieve a return that matches an independently calculated liability-based gilt or swap benchmark of appropriate duration
	Absolute Return Bond Fund	3-Month Sterling LIBOR	+1.5% p.a. (net of fees) on a rolling 3-year basis

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The AVC arrangements are reviewed from time to time.

3 Investments and disinvestments

Investments and disinvestments are usually made so as to move the actual asset allocation more in line with the target asset allocation.

Should assets need to be realised to provide cashflow then the source of disinvestment will be decided by the Trustees in conjunction with advice from the investment consultant.

Appendix 2 Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

1 Financially material considerations

The Trustees have considered financially material factors such as environmental, social and governance (ESG) issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Plan for members. It believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes they are investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustees do expect the fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustees accept that the Plan's assets are subject to the investment manager's own policy on socially responsible investment. The Trustees will assess that this corresponds with its responsibilities to the beneficiaries of the Plan with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustees will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustees will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Plan and its investments;
- Use ESG ratings information provided by its investment consultant, to assess how the Plan's investment managers take account of ESG issues; and
- Request that all of the Plan's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustees determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

2 Non-financially material considerations

The Trustees have not considered non-financially material matters in the selection, retention and realisation of investments.

3 Stewardship

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees' behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustees believe this will be beneficial to the financial interests of members over the long term. The Trustees will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustees also expect the fund manager to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustees will engage with the investment manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustees will review the investments made with the investment manager.

The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

4 Environmental, social and governance (ESG) and climate change risks

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustees have considered ESG issues including climate change as part of the investment process.

5 Investment manager arrangements

Incentives to align investment managers' investment strategy and decisions with the trustees' policies

The Plan invests in pooled funds and so the Trustees acknowledge the fund's investment strategy and decisions cannot be tailored to the Trustees' policies. However, the Trustees set its investment strategy and then selects managers that best suits its strategy taking into account the fees being charged, which acts as the fund managers incentive.

The Trustees use the fund objective/benchmark as a guide on whether its investment strategy is being followed and monitors this regularly.

Incentives for the investment manager to make decisions based on assessments about medium to long-term financial and nonfinancial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustees select managers based on a variety of factors including investment philosophy, and process, which it believes should include assessing the long-term financial and non-financial performance of the underlying company.

The Trustees also consider the managers' voting and ESG policies and how it engages with the company, as it believes that these can factors can improve the medium to long-term performance of the investee companies.

The Trustees will monitor the fund managers' engagement and voting activity on an annual basis, as they believe this can improve long-term performance. The Trustees expect their managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustees acknowledge that in the short term, these policies may not improve the returns it achieves, but do expect those companies with better financial and non-financial performance over the long term will lead to better returns for the Plan.

The Trustees believe the annual fee paid to the fund managers incentivise them to do this.

If the Trustees feel that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies

The Trustees review the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustees assess the performance periods of the funds over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of its investment consultant to ensure it is in line with the Trustees' policies.

How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

The duration of the arrangement with the asset manager

The Trustees plan to hold each of its investments for the long-term but will keep this under review.

Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

Addendum 1 Trustees' Investment Manager Arrangement Summary document

The fee arrangements with the investment managers are summarised below:

Investment manager	Fund	Annual Management Charge
M&G	Alpha Opportunities Fund	0.5% p.a.
M&G	Episode Income Fund	0.55% p.a.
Legal & General	Absolute Return Bond Fund	0.35% p.a.
Aberdeen Standard	Vanguard UK Tracker Fund	0.10% p.a.
Aberdeen Standard	Vanguard Emerging Markets Index Fund	0.25% p.a.
Legal & General	North America Equity Index GBP Hedged Fund	0.225% p.a. for the first £ 1 m 0.2% p.a. for the next £ 1.5 m
Legal & General	Europe Ex UK Equity Index GBP Hedged Fund	0.275% p.a. for the first £ 1 m 0.25% p.a. for the next £ 1.5 m
Legal & General	Japan Equity Index GBP Hedged Fund	0.25% p.a. for the first £ 1 m 0.225% p.a. for the next £ 1.5 m
Legal & General	Asia Pacific Ex Japan Equity Index GBP Hedged Fund	0.30% p.a. for the first £ 1 m 0.275% p.a. for the next £ 1.5 m
Partners Group	Partners Fund	1.5% p.a. with a performance fee of 12.5% subject to a high watermark
Legal & General	Matching Core Funds	0.24% p.a. for the first £ 25 m 0.17% p.a. for the next £ 25 m

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are remunerated on a combination of time-cost basis and fixed fees basis.