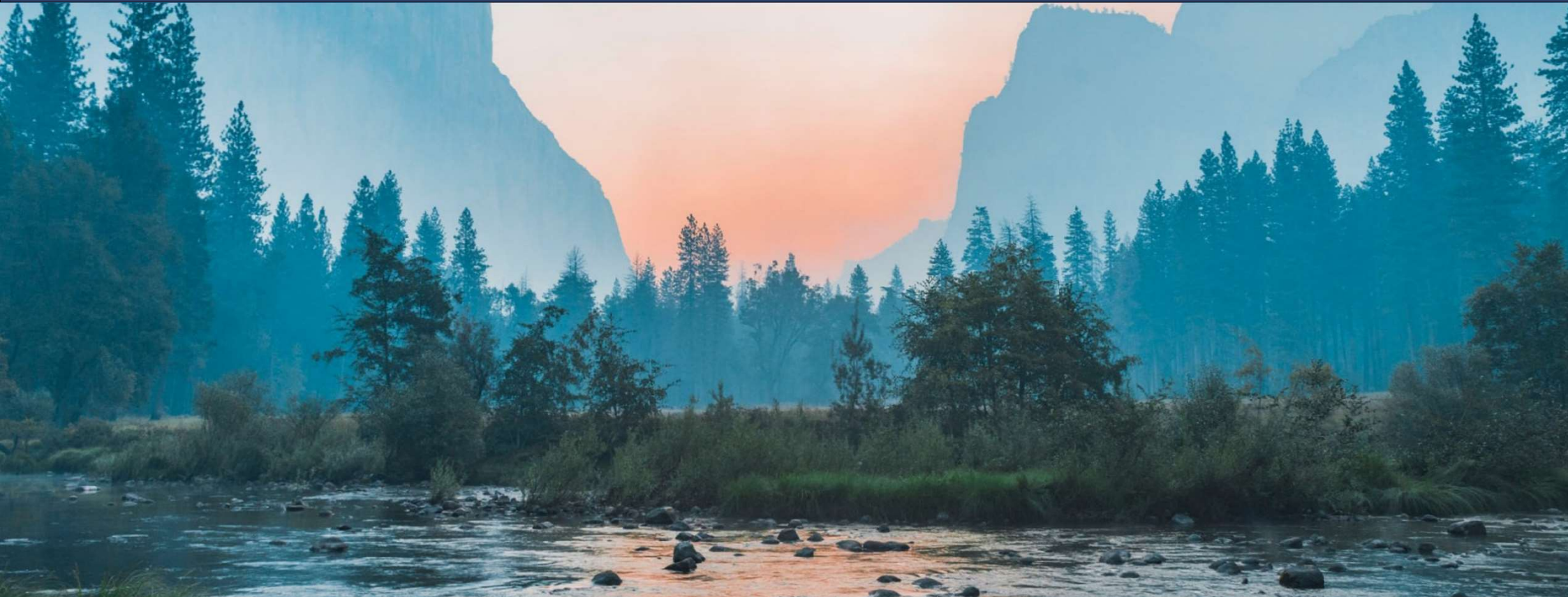


Statement of Investment Principles

For the EC Harris Group Pension Scheme

Effective from: 16 October 2024



1. Introduction

This Statement of Investment Principles (“SIP”) has been produced by the Trustees (“we”) of the EC Harris Group Pension Scheme.

It sets out the Trustees’ policies on various matters governing investment decisions for the EC Harris Group Pension Scheme (“the Scheme”), which is a Defined Benefit (“DB”) Scheme.

This SIP replaces the previous SIP dated July 2023.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, who is suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer, Arcadis Human Resources Limited, in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator’s guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Scheme’s investments, but which are not required to be included in the SIP.

2. Investment objectives

The primary objective is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the additional objective that the return on the Scheme’s assets is maximised whilst managing and maintaining investment risk at an appropriate level. What we determine to be an appropriate level of risk is set out the separate SIP addendum.

The long-term objective is to secure benefits for members of the Scheme, so that there is no further reliance upon employer contributions, employer covenant, and future investment returns.

We are mindful of the employer’s wish to have a contribution rate which is maintained at a manageable level by benefiting from good investment returns in the long term.

We are aware that there are various measures of funding and have given due weight to those considered most relevant to the Scheme.

The primary funding target is the technical provisions as agreed at each actuarial valuation of the Scheme, using prudent assumptions.

We acknowledge together with the employer that the Scheme being fully funded on a technical provisions measure does not achieve the long-term objective. In particular, considerable risk remains due to reliance upon employer covenant and investment returns over a very long period. The Scheme also remains as a risk on the employer balance sheet.

Therefore, we have a secondary de-risking target which uses more prudent assumptions than the technical provisions; and is in line with the estimated cost of an insurance transaction.

Over time, the Trustees have the aim of de-risking the Scheme’s assets and moving towards a portfolio that could enable an insurance transaction.

We will monitor the funding level on the various bases at regular Trustees’ meetings.

3. Investment strategy

With input from the advisers and in consultation with the employer, we have made a number of changes to the Scheme's investment strategy and underlying asset managers over the past few years, considering the objectives described in Section 2.

We expect to undertake a formal review of the strategy at least once every three years, but in practice we continually evaluate potential new investment opportunities, which may lead to change.

Based on the market value of the Scheme's assets as at 31 August 2024, the Scheme's estimated asset class split was as follows:

Asset class	Allocation
Diversified growth	10%
Private credit	11%
Property	1%
Return seeking assets	22%
LDI funds (including money market funds)	51%
Short dated corporate bonds	12%
Asset backed securities	15%
Defensive assets	78%
Total	100%

There is no formal rebalancing policy. The Trustees monitor the asset allocation on a regular basis and consider, with the help of their advisers, whether it is appropriate to rebalance the assets considering factors such as market conditions and anticipated future cashflows.

The Scheme has committed capital equivalent to around 16% of total Scheme assets, to two private credit managers. The amount invested in the private credit funds will increase gradually over time as the managers call for capital, then decrease as they return capital to investors. We expect the private credit managers to have fully returned capital to the Scheme by around 2026 (subject to potential fund extensions).

The Scheme's cash requirements are increasing over time, as more members retire and begin drawing their pensions. We monitor the Scheme's cash requirements closely.

The Trustee intends to de-risk the investment strategy gradually over time as the funding position improves, towards a low risk investment strategy which could be suitable in the run-up to an insurance transaction. We are mindful of this when disinvesting assets to meet cash outflows.

4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.

We take an integrated approach when assessing risk and reviewing the investment strategy. In particular, we take account of the employer covenant, contributions, funding targets, liability profile (including interest rate and inflation sensitivities and the extent to which they are hedged) and the level of expected return and risk now and as the strategy evolves.

The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. Investment risk is measured using "Value at Risk". Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in the SIP addendum.

In setting the strategy it is our policy to consider:

- our investment objectives, including the target return required to meet these;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant; and
- the need for appropriate diversification between different asset classes to manage investment risk and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate

Our key investment beliefs, which influence the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward, such as interest rate, inflation and currency, should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions;
- voting and engagement are important and can create long term value which is in the best interest of Scheme members and therefore we encourage managers to improve their voting and engagement practices; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have signed agreements with the investment managers, setting out the terms on which the portfolios are to be managed.

Details of the investment managers are set out in the separate SIP addendum.

We have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer-term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6. Realisation of investments

We instruct disinvestments as required for benefit payments and other outgoings.

Our preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg private credit). The Scheme also receives income from some of the portfolios where appropriate.

7. Financially material considerations and non-financial matters

We consider how ESG considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

We influence the Scheme's approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and review how the managers are taking account of these issues in practice.

We encourage our managers to improve their ESG practices, although acknowledge that we have limited influence over managers' investment practices where assets are held in pooled funds and that the parameters of some pooled funds may limit the scope for significant incorporation of ESG factors.

We do not consider matters that are purely non-financial in nature (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of our members.

We seek to appoint investment managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors. We expect the managers to undertake voting and engagement in line with their stewardship policies, considering the long-term financial interests of investors.

As all of our investments are held through managers or pooled funds we do not monitor or engage directly with issuers or other holders of debt or equity.

We monitor managers' activities in relation to ESG factors, voting and engagement on a regular basis. We seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and aligned with our expectations.

We have selected a priority ESG theme of Climate Change, to provide a focus for our monitoring of investment managers' voting and engagement activities. We review the chosen priority periodically and will update this if appropriate.

We communicate our chosen stewardship priority(ies) to our managers and also confirm our more general expectations in relation to ESG factors, voting and engagement.

If our monitoring identifies areas of concern, we will engage with the relevant manager to encourage improvements.