VINCI Pension Scheme

Statement of Investment Principles

1. Introduction

1.1. This is the Statement of Investment Principles prepared by VINCI Pensions Limited, as Trustee to the VINCI Pension Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme 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.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustee has consulted VINCI PLC, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority for a range of investment business activities.

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 Trustee 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.

1.5. The investment powers of the Trustee are set out in Section 14.14 of the Third Definitive Deed, dated 15 March 2016. This statement is consistent with those powers.

1.6. The Trustee has established an Investment Sub-Committee who oversee the review and implementation of the investment strategy.

2. Choosing investments

2.1. The Trustee's policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustee considers 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 Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in Appendix 1 to this Statement. The investment managers are authorised and regulated by either the Financial Conduct Authority, the Jersey Financial Services Commission or the Guernsey Financial Services Commission. The investment managers are responsible for stock selection and the exercise of voting rights (with the exception of the direct infrastructure holdings which are managed by VINCI UK Developments Limited).

2.3. The Trustee reviews the appropriateness of the Scheme'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 Trustee will also consult the employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee has discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustee faces in achieving these objectives.

3.2. The Trustee's main investment objectives for the Scheme are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to achieve a long-term positive real return;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the participating employer, the cost of current benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.3. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities at any time. The Trustee has obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities; bonds; cash; property; alternatives (e.g. private equity, derivatives, high yields debt, infrastructure etc.) and annuity policies.

4.2. The Trustee monitors 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 Scheme's auditors.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the investment objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.

5.2. The Trustee considers the merits of both active and passive management for the various elements of each Section's portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendices to this Statement.

5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short-term cashflow requirements or any other unexpected items, if considered by the Trustee to be beneficial to the Scheme or any other unexpected items.

5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

6.1. The Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustee 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 Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the 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	The risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is 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 Scheme'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 Trustee.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Trustee assesses the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Investment manager risk	The Trustee monitors the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has 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 Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustee has considered long-term financial risks to the Scheme 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 Scheme'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.

Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). Each investment manager monitors counterparty credit risk and evaluates counterparty credit quality on a continuous basis.

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is 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 in respect of the pooled fund investments.

7.2. The Trustee recognises 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 Trustee recognises 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 Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustee meets the Scheme's investment managers as frequently as is appropriate, in order to review performance.

8. Realisation of investments

8.1. The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee has considered the risk of liquidity as referred to above.

8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustee is 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 Scheme accounts.

9. Socially Responsible Investment, Corporate Governance and Voting Rights

Policy on financially material considerations

9.1. The Trustee believes that Environmental, Social and Governance ("ESG") factors, including climate change, are financially material – that is, they have the potential to impact the value of the members' investments over the length of time until the Scheme's life comes to an end, for example through the benefits being bought out with an insurer. The Trustee appreciates that the method of incorporating ESG in the investment strategy and process will differ between asset classes.

9.2. The Trustee is comfortable that the funds currently invested in by the Scheme are managed in accordance with their views on financially material factors, as set out below. This position is monitored periodically, at least annually. As part of the monitoring process the Trustee has access to updates on governance and engagement activities of the managers and input from the investment advisors on ESG matters. In the future, the views set out below will be taken into account when appointing and reviewing managers.

9.3. A summary of the Trustee's views for each asset class in which the Scheme invests is outlined below.

9.4. Multi-asset funds The Trustee believes that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's multi-asset fund managers. The investment process for each multi-asset fund manager should take ESG into account when selecting holdings. The Trustee also supports engagement activities and, where relevant, the exercise of rights attaching the investments by the Scheme's multi-asset fund managers. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

9.5. Credit The Trustee believes that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's credit managers. The investment process for each manager should take ESG into account when selecting holdings. The Trustee also supports engagement activities, although they appreciate that fixed income assets do not typically provide voting rights. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

9.6. Property and Infrastructure The Trustee believes that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's property and infrastructure managers. The investment process for each manager should take ESG into account when selecting holdings. The Trustee also supports engagement actives, although they appreciate that voting rights are usually not available with holdings in property and infrastructure. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

9.7. Passive gilts The Trustee believes that ESG issues are not financially material to the risk-adjusted returns achieved by the Scheme's passive gilts. This is because gilts are considered "least risk" when constructing the investment strategy.

9.8. LDI and money market The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in these asset classes because of the nature of the instruments used within the funds and the fact that money market investments are short term.

It is worth noting that when transacting in LDI and money market funds, the Trustee requires due diligence is undertaken to assess the credit worthiness of the counterparty both at the start of and throughout any investment, whilst at the same time looking to achieve best execution. The Trustee believes this is more relevant for longer term trades compared to shorter term trades and should incorporate ESG factors where these assist with the credit worthiness assessment.

Policy on the exercise of voting rights

9.9. The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

9.10. The Trustee will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

9.11. Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

Policy on engagement activities

9.12. The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

9.13. The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

9.14. The Trustee considers it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

9.15. The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

9.16. Should an investment manager be failing in these respects, this will be captured in the Scheme's monitoring.

9.17. The Scheme's investment managers are not subject to specific restrictions as to whether they invest in the Principal Employer's business.

9.18. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

9.19. The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

9.20. The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

9.21. In selecting and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.

Policy for taking into account non-financial matters

9.22. The Trustee does not consider any non-financial matters when constructing the investment strategy and/or when selecting or reviewing fund managers, although some of the funds held may have non-financial objectives or constraints. The Trustee does not require the investment managers to take these into account either.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment polices

10.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.

10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

10.3. The Trustee carries out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis.

10.4. In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment may be terminated. The investment managers have been informed of this by the Trustee.

10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.6. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.

10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

10.8. The Trustee expects investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

10.9. The Trustee monitors the performance of their investment managers over medium to long term periods that are consistent with the Trustee's investment aims, beliefs and constraints.

10.10. The Scheme invests predominantly in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied.

10.11. The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.12. The Trustee asks the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

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

10.14. During the investment manager appointment process, the Trustee 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 Trustee acknowledges 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.

Duration of arrangement with asset manager

10.15. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.

10.16. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

10.17. For closed ended funds, the Scheme reviews the appointment with the investment manager as the manager releases new iterations of the funds (which the Trustee may consider further investment into) and at, or just prior to, maturity of the closed-ended fund.

11. Agreement

11.1. This statement was approved by the Trustee on 28 September 2021, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Appendix 1 Note on investment policy of the Scheme in relation to the current Statement of Investment Principles dated September 2021

1. Choosing investments

The Trustee has appointed the following investment managers to carry out the day-to-day investment of the Scheme:

- Legal & General Investment Management;
- Threadneedle Investment Services Limited;
- Ruffer LLP;
- Invesco Perpetual;
- Henderson Global Investors;
- Aviva Investors;
- TwentyFour Asset Management LLP;
- Partners Group AG
- Aberdeen Standard Investments Life and Pensions Limited

The investment managers are authorised and regulated by either the Financial Conduct Authority, the Jersey Financial Services Commission or the Guernsey Financial Services Commission.

In addition to investments with the above managers, the Trustee owns several infrastructure investments. These assets are managed by VINCI UK Developments Limited.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters.

2. Kinds of investments to be held

The Trustee has considered all asset classes and has gained exposure to the following asset classes:

- UK Equities
- Overseas Equities
- Property
- Infrastructure
- Fixed Interest Gilts
- Index-Linked Gilts
- Corporate bonds and other debt instruments
- Overseas Bonds
- Cash
- Other alternative asset classes

3. The balance between different kinds of investment and rebalancing

The asset allocation has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. The investment benchmarks and objectives for each fund and manager are given in the table on the next page.

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

Investment manager	Benchmark	Objective
Legal and General Investment Management		
Global Equity Fixed Weights (60:40) Index Fund - GBP Currency Hedged	Composite of 60:40 of UK and overseas equity indices (GBP Hedged)	To provide diversified exposure to UK and overseas equity markets while minimising foreign currency exposure.
Matching Core Real Funds	Gilt and swap composite index	To provide leveraged exposure to changes in real interest rates
Matching Core Fixed Short Funds	Gilt and swap composite index	To provide leveraged exposure to changes in fixed interest rates
Industrial Property Investment Fund (IPIF)	IPD Annual Industrial Index	To outperform its benchmark over a rolling three year periods
Sterling Liquidity Fund	7 Day LIBID	To provide capital stability, liquidity and diversification while providing a competitive level of return

Investment manager	Benchmark	Objective
Threadneedle Investment Services Limited		
Property Unit Trust	AREF/IPD All Balanced Property Fund Index (Weighted Average)	To outperform the benchmark on an annual basis and be within the top quartile on a rolling three-year basis
Dynamic Real Return Fund	UK Consumer Prices Index	To outperform the benchmark by 4% p.a. over a three to five year period gross of fees, and maintain volatility two-thirds that of equities
Ruffer LLP		
Absolute Return Fund	None stated	The objective is firstly to preserve capital over rolling twelve month periods, and secondly to grow the Portfolio at a higher rate (after fee) than could reasonably be expected from the alternative of depositing the cash value of the Portfolio in a reputable United Kingdom bank.
Invesco Perpetual Life Limited		
Global Targeted Returns Fund	3 month LIBOR	To outperform its benchmark by 5% p.a. over 3 years before fees
VINCI UK Developments Limited		
Infrastructure projects	None stated	A long-term return of 8% pa over the lifetime of the project
Henderson Global Investors Limited		
Multi Asset Credit Fund	3 month LIBOR	To outperform its benchmark by 5% p.a. over 3-5 years before fees
TwentyFour Asset management LLP		
Dynamic Bond Fund	None stated	The fund aims to achieve a return of 7-10% p.a. over a market cycle

Investment manager	Benchmark	Objective
Aviva		
Infrastructure Income Fund	A composite of two equally weighted index linked gilts that closely match the fund duration	To deliver a stable income yield of 7-8% p.a. (net of all fees and expenses)
Partners Group AG		
Partners Group Partners Fund	None stated	n/a
Aberdeen Standard Investments Life and Pensions Limited		
Aberdeen Life Diversified Growth Fund	3 month LIBOR	The fund aims to achieve a return of Libor +4.5% p.a. net of fees

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements and cashflows. The overall asset allocation is monitored by the Trustee with consideration of the expected returns, levels of risk and liquidity requirements. The asset allocation of the Scheme as at 31 August 2021 is shown in the table below:

Portfolio	Asset class	Fund(s)/asset	Allocation (%)
Return - seeking			**73**
	Diversified growth	Columbia Threadneedle Dynamic Real Return Fund	5
		Ruffer Absolute Return Fund	6
		Invesco Perpetual Global Targeted Returns Fund	3
		Aberdeen Life Diversified Growth Fund	1
	Property	Legal and General Industrial Property Investment Fund	7
		Threadneedle Property Unit Trust	3
	Infrastructure	Citylink (Cardiff) Ltd, Bradfield School PFI, Doncaster School PFI, Dorset Police PFI, Swindon Police PFI	14
		Aviva Infrastructure Income Fund	4
	Multi Asset Credit Funds	Henderson Multi Asset Credit Fund	9
		TwentyFour Dynamic Bond Fund	15
	Private Markets	Partners Group Partners Fund	5
	Equities	Legal and General Global Equity Fixed Weights (60:40) Index Fund - GBP Currency Hedged	1
Protection portfolio			**27**
	LDI	Legal and General Matching Core Funds	19
	Cash	Legal and General Sterling Liquidity Fund/cash at bank	8
Total			**100***

*Sum of funds may not total 100 due to rounding

Investment of new money

In the normal case of events, new money is used to meet cashflow needs.

Realisation of investments

The Scheme's short term cash flow requirements are expected to be met as far as possible by the principal employer's contributions, as well as income from a selection of the Scheme's bond and property holdings. However, where this is insufficient the Trustee may disinvest some of its investments to meet the cashflow requirements.