Directors s172(1) statement on statutory duties

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of Amey UK plc consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2020 (see Corporate Governance statement on pages 34 and 35 and summary of decisions below).

The Group's purpose is to deliver the very best infrastructure, asset management, engineering and strategic consulting services and projects. Our business strategy encourages continuous improvement and sustainability in our chosen markets whilst embracing our passion for innovation and environmental, social and governance excellence.

The Board has approved a strategic plan which is designed to have a long-term beneficial impact on the Group and to contribute to its success in delivering better quality and more innovative services to clients and end customers to 2024 and beyond. We will continue to operate our business within tight budgetary controls and in line with our client's expectations. (see Strategic Report on pages 5 to 24).

Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and wellbeing of our employees is one of our primary considerations in the way we do business (see Chief Executive Officer's review on pages 1 to 4 and Strategic Report on pages 5 to 24).

Our core values are the building blocks of how Amey conducts its business and they help forge strong relationships with customers, partners and supply chain, to keep improving our services every day. The Directors are vigilant in monitoring feedback from customers and stakeholders and encourage opportunities to effect improvements.

The Going Concern statement details those factors underlying the Directors' viability assessment and opportunities and risk to the future successes of the business are detailed on pages 36 to 38 of the Directors' Report.

Discharge of Directors' duties

In discharging their duties in relation to s172(1) of the Companies Act 2006, Directors and the Executive Committee have paid regard to the following matters:

The likely consequences of any decision in the long term, for instance in relation to:

- The Strategic Plan adopted in January 2020 and a strategic review of the Group portfolio which identified core and non-core activities together with a refreshed Executive leadership team and operating model to align with the strategy. The non-core businesses are detailed in the Chief Executive Officer's summary on page 1.
- Approving, in January 2020, a Business Continuity Plan for the Group which was successfully invoked in response to the COVID-19 outbreak
- Brexit contingency planning
- Agreeing the budget for 2021
- Review of, and approval to, key bids and business development opportunities.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006 *(continued)*

Discharge of Directors' duties (continued)

Interests of the Group's employees. This has been a key focus during the year; the Directors determined that showing employees that they matter would help them be engaged, productive and healthier and that motivation delivers the best results for our clients and supports the long-term growth and profitability of the business. Feedback from employee engagement through channels such as the Ways of Working ("WoW") interviews and regular 'Pulse' surveys of employees has influenced the following decisions relating to employees:

- Adoption of the Real Living Wage and improved sick pay entitlements, which had a favourable impact on the earnings of 2,000 front-line employees
- Handling potential impacts of COVID-19 which included managing furlough sensitively, revising the flexible working policy and a series of wellbeing initiatives for employees
- Significant investment in learning systems and employee development with a digital learning platform being launched for all employees
- Review of health and safety activities and incidents with approval to thematic campaigns to support the Zero Code initiative
- Refreshed apprentice and graduate programmes
- Employee consultation including in relation to a transformation programme to optimise support functions
- Diversity and inclusion, with the adoption of an inclusion strategy 2020-2021, led by an Executive sponsor
- Reviewing and approving the gender pay gap report for 2019 which included taking active steps to improve the attractiveness of the sector to women by targeted promotion of careers in engineering, technical and managerial roles
- Critical talent and resource review.

Further information on engagement with and communication with employees is reported in the 'Our People' section of the Strategic Report (page 20) and the Directors Report (page 30).

The need to foster relationships with suppliers, customers and others:

- The adoption of a Social Value Supply Chain Charter to engage and work with all our suppliers on their commitment and contribution to social impact. The commitment is to place 5% of our addressable spend with social enterprises – businesses which use their profits to create positive, social change – by 2023. This will amount to around £40 million in the next four years
- Development of a social value plan
- Regular meetings and dialogue with the Crown representative, including an annual supplier assessment
- Supplier evaluation and engagement
- Review of data for payment practices reporting. As a responsible business, the Directors recognise the importance of cash flow for the thousands of businesses in the supply chain. 95% of invoices are paid within 60 days which represents an improvement of 13% since 2018
- Manging and resolving the impacts of the cyber-attack, reported on page 20, on the delivery of services to customers and payments to suppliers
- Key client engagement and reviews of significant contracts.

The impact of operations on communities and the environment:

- Adoption of the Social Value plan as a roadmap for delivering positive social impact. The plan was developed in response to the social, environmental and economic challenges faced by customers and will guide the business until 2024. Further details can be found on pages 18 and 19 of the Strategic Report
- Setting an ambitious target on carbon management and the roadmap to achieving a reduction in carbon to net zero
- Developing the Amey VTOL joint venture enabling long-range hybrid drones to transform the industry, making it safer, quicker and easier to survey and assess vital civil infrastructure such as bridges and railways.

Reputation for high standards of business conduct:

- All Directors in the Group and the senior leadership team received refresher training on director duties and conflicts
- During the year the Board conducted reviews of whistleblowing reports and allegations of unethical behaviour
- All Group ethical and compliance policies were reviewed and updated during the year and included in the Amey Code, which was approved in September 2020 and issued to all employees.

Report of the Directors

The Directors present their Annual Report together with the audited financial statements of the Amey UK plc group of companies (Amey or the Group) for the year ended 31 December 2020. Amey UK plc (the Company) is incorporated in the United Kingdom (registered in England and Wales) and is the holding company of a Group whose subsidiary companies and joint venture undertakings are listed in note 31 to the financial statements. The Company is a plc, is limited by shares and is privately owned.

As permitted by Section 414c (11) of the Companies Act 2006, some matters which are required to be included in the Directors' Report have instead been included in the Strategic Report. These disclosures are incorporated by reference in the Directors' Report.

Strategic Report

The Strategic Report comprises: the Chief Executive Officer's summary statement on pages 1 to 4 and the corporate commentary on pages 5 to 24, describing the principal activities of the Group, the development and performance of the Group's business during 2020, future developments and the position of the Group at the end of the year.

A description of the principal risks and uncertainties facing the Group is also contained in the Strategic Report.

Results and dividends

At 31 December 2020, the Directors have assessed the progress and status of the sale processes undertaken in 2020 for the three Cash Generating Units (CGUs) which were held for sale at 31 December 2019. They have confirmed a change to plans based on the feedback received on those processes and they also consider that paragraphs 6 to 8 of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are no longer met for certain contracts, assets and liabilities of those perimeters:

- In the Environmental Services Treatment CGU, the process of the sale has not driven the expected appetite in the market and, consequently, the Group is now re-assessing the strategy to follow going forward.
- In the Environmental Services Collection CGU, agreements have been reached on 28 February 2021 and 31 March 2021 to sell certain contracts but retaining part of their assets and liabilities at the transaction date. Additionally, there are two contracts that have been excluded from the perimeter of the sale as there were no relevant interest received from the market on them.
- In the Utilities CGU, the sale process has progressed for the Water business and is still ongoing. Certain other assets and liabilities are now being retained in the Power and Metering business area.

Based on the above, the only relevant segment which remains held for sale at 31 December 2020 is the Utilities Water CGU.

As a result, the Group has ceased to classify as held for sale the components excluded in the previous paragraphs, so the results of operations of those components previously presented in discontinued operations in accordance with paragraphs 33 to 35 of IFRS 5 have been reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods have also been re-presented.

The Group income statement is set out on page 44 and shows a loss after tax for the year on continuing operations amounting to £105.5 million (2019 re-presented: £118.0 million loss) on Group revenue on continuing operations of £2.14 billion (2019 re-presented: £2.28 billion). The profit on discontinued operations for the year was £2.7 million (2019 re-presented: £99.1 million loss).

The overall gross profit and operating loss on continuing operations before exceptional items were respectively £53.7 million and £29.4 million (2019 re-presented: £65.1 million gross profit and £21.4 million operating loss) representing a margin of 2.51% and minus 1.37% (2019 re-presented: 2.86% and minus 0.94%). Administrative expenses on continuing operations were £88.0 million (2019 re-presented: £100.5 million).

The operating profit on continuing operations is stated after charging all operating costs and before net finance expense and tax. The operating loss on continuing operations after exceptional items was £91.7 million (2019 re-presented: £79.4 million loss). Net operating exceptional charge on continuing items arising in 2020 totalled £62.4 million (2019 re-presented: £58.0 million exceptional charge) full details of which can be found in note 4 to the Group financial statements.

Report of the Directors *(continued)*

Results and dividends *(continued)*

Net finance expense on continuing operations was £6.2 million (2019 re-presented: £29.8 million). The Group's share of profit after tax of joint ventures on continuing operations was £5.0 million (2019 re-presented: £14.0 million).

Group operating cash flows from all activities were £57.9 million inflow (2019: £171.6 million outflow). The 2020 outflow included payments of £10.0 million (2019: £160.0 million) as part of the cost to exit from the Birmingham City Council Highways PFI contract in 2019.

Shareholder funds and further issue of Other equity instruments

Equity shareholder funds at 31 December 2020 stood at £82.8 million (2019: £55.0 million deficit). No interim dividend was paid during the current or preceding year. The Directors do not recommend the payment of a final dividend. In the year, shareholder funds have been bolstered by the issue of a £281.0 million other equity instruments in exchange for a reduction in Group borrowings from the Ferrovial, S.A, group.

On 26 February 2020, £169.0 million of the Group's remaining existing subordinated loans from Landmille Limited and held by a subsidiary undertaking, Amey plc, were converted into a third Other equity instrument with Landmille Limited (through a further subordinated hybrid loan).

On 31 December 2020, the Group's existing £60.0 million subordinated hybrid loan held by Amey UK plc from Ferrofin SL was converted and consolidated with a further issue of subordinated hybrid loans of £103.1 million into a restated subordinated hybrid loan from Ferrofin SL. The proceeds from the further issue were used to repay a subordinated loan from Ferrofin SL of £78.1 million and to extinguish £25.0 million of other liabilities due to the Ferrovial group. This restated loan of £163.1 million is classed as Other equity instrument and is a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points which rises to 12-month LIBOR plus 500 basis points if Group Profits Before Interest, Tax, Depreciation and Amortisation ('EBITDA') is above a set threshold.

Also, on 31 December 2020, the Group's remaining subordinated loan from Landmille Limited (held by Amey plc) of £8.8 million was converted and consolidated with the existing £200.0 million and £169.0 million subordinated hybrid loans from Landmille Limited. The resulting restated subordinated hybrid loan of £377.8 million was also assigned from Landmille Limited to Ferrofin SL.

Landmille Limited and Ferrofin SL are both fellow members of the Ferrovial, S.A. group of companies.

Composition of the Board

The Directors of the Company during the year, and up to the date of this report, were as follows:

Ian Tyler (Chairman)
Ian joined Amey in 2018 bringing a wealth of experience and knowledge across all key sectors. He was previously at Balfour Beatty for 17 years, most recently as Chief Executive. He currently sits on four other boards: as a Non-Executive Director of BAE Systems, Chairman of Vistry Group plc (formerly Bovis Homes Group plc), Chairman of Affinity Water Limited and Independent Chairman of the Atomic Weapons Establishment (AWE), a joint venture between Lockheed Martin, Serco and Jacobs Engineering.

Amanda Fisher – appointed 22 January 2020
Amanda was appointed acting CEO of Amey in December 2020, prior to which she was Managing Director of the Facilities Management, Defence and Justice division, having joined Amey in August 2017. Amanda has a strong background across several sectors, including the wider FM market, business services and highways, having previously worked at Balfour Beatty, Alfred McAlpine and Allied Healthcare, since leaving the Armed Forces where she was a commissioned officer.

Report of the Directors *(continued)*

Composition of the Board *(continued)*

Alfredo García
Alfredo joined Ferrovial in 2003 as manager of the International Legal Department within the Ferrovial Service Legal Department. In June 2008, he was appointed Ferrovial Services' Legal Director. He is a member of the Steering Committee of Ferrovial Services.

Fernando González de Canales Moyano
Fernando joined Ferrovial in 1992 as Chief Financial Officer of Ferrovial Group's Business Development Division. In 1999, he was appointed Chief Financial Officer of Ferrovial Services, which has a current annual turnover of over €6 billion and activities in several countries. He is also a member of Ferrovial Group's Finance Committee.

Fidel López Soria
Fidel is Chief Executive Officer of Ferrovial Services. Fidel is a graduate in Mining Engineering from the Polytechnic University of Madrid and the École Nationale Supérieure des Mines de Paris. He holds an MBA from MIT-Sloan School of Management. He joined Ferrovial in 2007, developing his role in the Services and Airports divisions. Within the Services division, he has held the role of CEO of Broadspectrum, Development Director of the division and member of the boards of Amey, Tube Lines and Swissport. Within the Airports division, he was Commercial Director of Heathrow and Director of Airports at BAA. Before joining Ferrovial, he developed his career at McKinsey and Enel.

Andrew Nelson
Andrew is Amey's Chief Finance Officer; he joined Amey in 1999 and was appointed to the Board in 2006. He has played a key role in restructuring the Group's finances and negotiating acquisitions and disposals, including the purchase of Enterprise plc in 2013 and the disposal of Amey's interest in Tube Lines in 2010. He is also responsible for procurement and IT.

Gonzalo Nieto Mier – appointed 9 December 2020
Gonzalo is Ferrovial Services' Transformation Director and he joined Ferrovial in 2004 after receiving an MBA from NYU-Sloan School of Management and working in financial markets and as a consultant. At Ferrovial, he has held several positions, most recently developing and managing FS business in various countries across EMEA and Americas. He has served as a Director of Ferrovial companies in 10 different countries and first worked with Amey in 2005.

In addition to the Directors above, the following served as Directors during the year: Andres Camacho (resigned 25 March 2020) and Juan Arguedas (appointed 31 March 2020, resigned 30 September 2020).

Company Secretary - Jayne Bowie
Jayne is Company Secretary and General Counsel for the Amey Group. Jayne joined Amey in 2012 as Senior Counsel (later Legal Director) becoming General Counsel in 2017. She is responsible for managing the Legal, Corporate Services and Risk Management functions.

Directors' indemnity

Directors and Officers of the Company (and those employees who are also Directors of the Group's subsidiary companies) benefit from Ferrovial, S.A.'s group-wide directors' and officers' liability insurance cover in respect of legal actions brought against them. Accordingly, the Company and its subsidiaries do not maintain their own equivalent Directors' indemnity insurance cover arrangements. In addition, Directors of the Company are indemnified under the Company's articles of association to the extent permitted by law, such indemnities being qualified third party indemnities.

Report of the Directors *(continued)*

Stakeholder engagement

Employee engagement and employment policies

Connecting with employees, especially front-line workers, has been a priority throughout the year. The Group's policy is to have open and regular communication with all employees through both formal and informal methods that are regularly reviewed and developed.

Employees are provided with information about Amey through the intranet, internal social channel Yammer, Chief Executive Officer briefings, 'Hub' (the employee magazine), emails, text, occasional briefings and 'e-newsletters' and via their people managers. These are in addition to communications direct to employees on specific matters or initiatives, such as in relation to the Health and Safety Zero Code and further development of employee wellbeing initiatives.

Employees can also access priority information on topics such as safety, wellbeing, benefits and COVID-19 via an internet portal. Springboard, Amey's continuous improvement programme, empowers employees to suggest and implement improvements to the business.

The Group also regularly reviews and updates its intranet, AmeyWorld, which provides a wealth of information accessible across the Group including daily news, process documents and results. In addition, 'Toolbox Talks' provide regular communications to operatives with updates on health and safety and contract or site information together with corporate messages. There are also Business Unit initiatives aimed at enhancing employee engagement, one being the availability of a weekly Directors' hotline which is answered by the senior leadership team of the business unit.

Members of the Group pension schemes also receive regular reports and communications on matters relating to their pensions.

During 2020, 'WoW' interviews were held with all employees who were required to work from home due to Government restrictions in response to COVID-19. These included health and safety assessments and wellbeing considerations.

Regular 'Pulse' surveys were also conducted to monitor employees' emotional wellbeing, maintain employee engagement and focus on specific aspects of employee wellbeing. The surveys provided the opportunity for employees to influence future WoW and to obtain a personal emotional wellbeing score with helpful advice and links to further resources. The wellbeing agenda includes monthly 'Wellbeing Wednesdays' – a platform for a range of different topics and activities, all of which were supported by a network of wellbeing ambassadors.

A network of 'changemakers' has been established to engage with and get feedback from a cross-section of employees in advance of corporate initiatives. More formal employee engagement is conducted through employee-appointed representatives and the Group also engages at national, regional and local level with a number of trade unions.

Amey's Consulting business unit is trialling a Shadow Board. This comprises employees with a diverse offering of expertise from within the Business Units who will support the Consulting Executives on key strategic decisions, innovation, problem-solving and risk management.

Rewards, recognition and performance

Reward at Amey covers all aspects of compensation and benefits including pay planning, bonus structure and pay-out market benchmarking, flexible benefits, employee preferential discounts and recognition tools.

All reward policies and practices support the Group's business goals and are commercially focused, in order that Amey remains competitive, fair and consistent across the business and that it attracts, retains and motivates employees to ensure that everyone can perform to the best of their ability. During the pandemic, annual pay increases were maintained for front-line employees and Amey became a Real Living Wage employer. The Real Living Wage is independently calculated based on the actual cost of living. This decision has increased the pay of over 25% of employees.

The Investors in People (IiP) Silver Award places the Group in the top five per cent of UK employers within IiP's new revised and elevated standard. The award recognises that a strong learning culture is promoted across Amey. Managers are required to provide performance management support to every employee in the form of annual objectives-setting and end-of-year performance appraisal. Employees are encouraged to be actively involved in setting their objectives and work projects for the year ahead.

Report of the Directors *(continued)*

Stakeholder engagement *(continued)*

Diversity and inclusion

The Board is committed to making Amey a leader in its sector for inclusion and wants to make sure that the services it carries out are inclusive of the wide range of people in the communities they serve. An Inclusion Steering Group is responsible for developing and cascading Amey's inclusion strategy, for acting on feedback from inclusion network groups, sharing lessons learnt about inclusion throughout its business and for co-ordinating and championing inclusion issues.

Amey strives for fairness, respect and equality of opportunity for all of its people, from when they join Amey, and throughout their employment lifecycle with regard to: training and development, payment and benefits, appraisal and promotion, through to retirement.

Amey complies with the Equality Act 2010 and Public Sector Equality Duty. The aspiration is that Amey's services help eliminate unlawful discrimination, harassment and victimisation; advance equality and foster good equality relations. The Group promotes an inclusive environment, free from discrimination, harassment and victimisation. Action is taken against any employee or person contracted to Amey who breaches this policy. The Group aims for its employees and customers to receive fair treatment regardless of equality characteristic or social background.

Amey is a founding signatory of the rail industry Equality, Diversity and Inclusion Charter.

The Women@Amey Learning Development Programme helps women to take the next step in their career and become future Amey leaders. The network promotes STEM careers to young women working with schools, colleges, universities and girl guiding groups.

Amey has also signed the SMP and is taking steps to boost opportunity and social mobility in relation to the three key elements of the pledge: outreach, access to employment, and recruitment.

Disabled employees

Harnessing the talents, skills and experiences of people with disabilities will help Amey to create a stronger, more diverse business that reflects the communities it serves.

To show its commitment, the Group has signed up to the UK Government's Disability Confident campaign. This not only helps people with disabilities or health conditions to get into full-time employment, but also gives them the support they need whilst they are at work. As part of its commitment to this, Amey makes reasonable adjustments where required for customers and employees, guarantees job interviews for people with disabilities who meet essential requirements, and audit sites, systems and communications to ensure that they are accessible.

Disabled employees are eligible for training, career development and promotion opportunities as is available to all Amey employees. Our Line Managers regularly discuss training and development needs with all employees in our individual Performance, Development and Review ('PDR') process. This process allows Amey to offer appropriate training bespoke to individual employees' requirements and appropriate training support and workplace adjustments will be provided where necessary. PDR processes also ensure there are no unforeseen barriers to progression for disabled employees, such as changes to location or travel arrangements

Report of the Directors *(continued)*

Engagement with clients and suppliers

Amey spends £1.1 billion a year with its supply chain. With the publication by the Government of the Outsourcing Playbook and a new Social Value Framework requiring that social value be given greater focus and explicitly evaluated in central government procurements, it has launched a Social Value Supply Chain charter and has asked suppliers to consider what social value they can deliver, and how they will invest in their people.

(a) *Supplier engagement*

The Group aims to build, manage, develop and maintain a supply chain comprising the best partners and suppliers who will work safely and collaboratively, improve efficiency, innovate, provide value for money and realise its customers' aspirations.

The supply chain strategy embeds Amey's ethics and behaviours with strongly led, socially responsible, responsive and collaborative organisations that reflect this in their own organisations. Amey's supplier selection and procurement management processes are inclusive, objective and rigorous to ensure it works with the right organisations for the long term. Performance data from annual 360° supplier reviews is used to maintain and continually develop to improve supply chain performance, build relationships and to ensure the right behaviours consistently to achieve the Board's business goals.

The diverse nature of Amey's business creates relationships with many suppliers of all sizes and a significant amount of money is spent every year with suppliers on goods and services supporting its activities. Amey's suppliers are fundamental to the performance of its business and as such they are expected to have a total commitment to working safely; to be capable, socially responsible, quality-driven, innovative and efficient; and to provide Amey with value at competitive cost and in full compliance with legal requirements, regulations and the highest ethical practices – all in a collaborative environment.

A consistent and clear, best practice, procurement process is intended to build long-term sustainable relationships with suppliers, treating them fairly and embracing them as part of Amey, to enhance its capability in delivering good service competitively to its customers.
Engagement with suppliers was enhanced during the year in order to mitigate the impact of COVID-19 on the supply chain, with a focus on providing all suppliers with consistency of workflow. At-risk suppliers were identified and provided with additional support and suppliers were redeployed to critical services where possible.

(b) *Client engagement*

The Board has engaged with a number of key clients during the year in order to maintain sustainable relationships and continuity of service provision during the pandemic. Client satisfaction remains a priority for the Board.

Through a Customer Maturity Matrix, which has been developed and rolled out across Amey contracts, performance and work can be benchmarked with clients to improve services further.

Engagement with other stakeholders

The Directors have had regular dialogue and meetings with the Cabinet Office Crown Representative at which Amey's business continuity in delivering essential public services during COVID-19, its work on social impact and supplier payment and reporting have been discussed.

There is also close engagement with the Group's lenders and pension trustees.

Report of the Directors *(continued)*

Modern Slavery Act

The Group recognises that it has a responsibility to take a robust approach to slavery and human trafficking and takes a zero-tolerance approach to non-compliance with the Act in any part of its business or its supply chain. This abridged statement sets out the steps the Group has taken to address the risk of slavery and human trafficking within its operations and supply chain. The full Slavery and Human Trafficking Statement, which is the fifth such statement which Amey has produced, can be found on the Amey website, www.amey.co.uk.

The Group's supply chains include:

- Plant, vehicles and equipment suppliers
- Subcontractors and various service providers
- Suppliers of contingent labour
- Manufacturers of goods and materials.

All procurement of services and supplies is undertaken by trained procurement specialists. The Group aims to build long-term sustainable relationships with its suppliers, encouraging collaborative working and exchange of innovative and good industry practices. The Group has in place systems to evaluate new suppliers as part of the on-boarding process and to identify, assess and monitor potential risk areas in its supply chain. During 2020, there was continued engagement with the supply chain, extending communications on Group values and specifically in relation to the Act.

Amey has reviewed its supply chain modern slavery risk assessment and is now reviewing the onward actions.

During the year Amey became a signatory to the Gangmasters and Labour Abuse Authority construction protocol, guidance from whom will enhance the efforts being made by the Modern Slavery Working Group, which is comprised of senior departmental managers.

Policy on slavery and human trafficking

The Group remains committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business, with zero tolerance of non-compliance. This statement reflects that commitment to acting ethically and with integrity in all its business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in the Group's supply chains.

The Group operates under policies which ensure that business is conducted to the highest ethical standards and all Amey employees and suppliers are provided with a copy of the Company's code of ethics which was updated during the year and relaunched as the 'Amey Code'.

Due diligence processes for slavery and human trafficking:

During 2020, Amey continued to engage with its supply chain, communicating its values, specifically around the Act. The Group's risk-based analysis on its own operations and within its supply chain has special regard for the location of those operations and type of service. Further risk analysis is ongoing as part of the Group's risk management system to ensure compliance.

Training:

Training is being refreshed and cascaded to all employees to ensure a high level of understanding of the risks of modern slavery and human trafficking. Amey has developed a web-based training module with a centralised dashboard to provide managers with visibility of employee training completion. The web-based training will also be made available to supply chain partners to promote awareness of, identify and address potential modern slavery risks.

Anti-Slavery Day on 18 October 2020 was a focus for a number of campaigns such as the publication of guidance on 'Spotting the signs' and 'What to do'.

Report of the Directors *(continued)*

Modern Slavery Act *(continued)*

KPIs:

Amey's measures to combat modern slavery are in constant review and the proactive regime of training and internal and external audits shall continue and will be stepped up to maintain compliance and to prevent modern slavery from occurring. Our main KPI is the number of incidents raised. During 2020 no incidents of modern slavery were raised through any of the channels provided.

In 2019, we completed the Cabinet Office's Modern Slavery Assessment Tool and scored 87%. We are now reviewing and working on the assessment recommendations.

Corporate governance

Amey is committed to high standards of corporate governance and has adopted the Wates Corporate Governance Principles for Large Private Companies as a Group.

Operation of the Board

The Board is responsible for the strategic direction, effective management, development and control of the Company and the Group as a whole.

Executive Committee – The Board's strategy is implemented via the Executive Committee, comprising senior executives, who assist the Chief Executive Officer in the management of the operations and development of the Group as a whole. Chaired by the Chief Executive Officer, the Executive Committee meets on a monthly basis, including strategy sessions. Detailed operational activity is the focus of Operational Review meetings and Business Unit Management Boards. Recently, and in particular during the early stages of the COVID-19 pandemic, the Executive Committee increased the frequency of its meetings.

Investment and Approvals Committee – An Investment and Approvals Committee has been established as a sub-committee of the Board to review all approval requests in accordance with the Approvals Policy, with the remit and powers delegated to it by the Board. During the year a digital governance gateway was developed through which approvals are channelled to enhance compliance, consistency and control.

Operational Reviews – Each of the business unit Managing Directors, Finance and Commercial Directors report monthly to the Chief Executive Officer, Chief Finance Officer and General Counsel, who challenge the unit's performance, top risks along with mitigations, financial performance, innovation, bids and future market positions.

Health and Safety Strategic Committee – Chaired by the Health and Safety Director, the committee comprises Managing Directors and key individuals from within the business who monitor, assess and seek to prevent health and safety incidents within Amey. Amey takes the wellbeing of its employees, suppliers, customers and community very seriously and regularly reviews every aspect of safety within the business.

Remuneration Committee – The Remuneration Committee is established as a sub-committee of the Amey UK plc Board and has the power to define and implement policies and procedures relating to arrangements for compensation and benefits for all Amey employees including the Executive Team and Amey Board Directors subject to shareholder approval.

System of internal control and risk management – The Board has a well-established risk management policy and procedures, reporting mechanisms and regular formal reviews which together provide transparency of risk throughout all tiers of management. Amey seeks to manage risk proactively to reduce the likelihood of occurrence and/or the impact should it happen. Reporting mechanisms allow for risks identified at contract or function level that meet set criteria, to be elevated through the business structure. Those that meet the required criteria are reported to the Risk Management Committee, the operational boards and ultimately the Executive Committee.

Report of the Directors *(continued)*

Corporate governance *(continued)*

Amey manages and monitors risk in two ways:

- Identifying and evaluating potential risks to the business, recording currently established methods of managing that risk and, importantly, developing risk treatment plans to enhance the opportunity to reduce the likelihood of occurrence and/or the extent of impact should the risk crystallise
- When a risk event occurs, focus turns to managing its impacts, mitigation and capturing lessons learnt.

Both corporate risks and risk events are reported through the governance process.

The Executive Committee formally reviews the risk management reports at its meetings. In addition, all Board meetings conduct a full review of financial performance. Financial reporting is against budget and previous forecast. The period to date financial position is reviewed by the Board at each meeting together with the latest full year forecast.

During 2020, the Executive Committee reviewed the risk management architecture and the composition and terms of reference for the Risk Management Committee. As a result of this review, revised systems are being integrated into the risk management process and the Terms of Reference updated.

The Directors acknowledge that the Company operates in a complex and changing business environment with many areas of judgement that it has not always got right. To try to lessen the variability in eventual outcome of those judgements, at the beginning of 2020 the Board revisited internal audit findings going back several years and summarised them into nine key areas of focus. These included the Company’s bidding process, contract management, cost control and estimation of margins, risks, provisions and claims.

Each area of focus has an executive sponsor who is responsible for ensuring that actions, which may include policy updates, system updates and governance changes, are completed during 2020 so that risks continue to be mitigated. Many of the bids which have led to contract wins during 2020 were submitted within this new framework.

IT systems

Controls and procedures are in place to maintain integrity of system access and data content. The use of IT is a core part of the way Amey operates. Investment in IT ensures that there is constant development to deliver least cost, improved performance and a safe workplace.

Internal audit

The scope of the Internal Audit function includes reporting on operational, commercial, and financial controls across the whole Group, including mobilisation monitoring. Health, safety and quality audits are also in place as a fundamental part of the risk management process. In addition to Amey's Internal Audit and Assurance function, the Group’s parent company carries out audits to assess the adequacy and effectiveness of internal controls over the key risks faced by the Group and reports its findings to management.

Report of the Directors *(continued)*

Energy and Carbon Performance

In 2020, our total carbon footprint was 229,903 tCO_2e under GHG protocol scope 1 and 85 tCO_2e under GHG protocol scope 2 (2019: 232,210 tCO_2e and 1,495 tCO_2e respectively). We achieved a 1.6% reduction in our Scope 1 & 2 carbon emissions. Our scope 3 emissions within business travel in employee-owned vehicles was 112 tCO_2e (2019: 358 tCO_2e)

We consumed 276 GWh of energy in 2020 (2019: 315 GWh), representing a 13% reduction, from the sources detailed in the table below:

Energy source	**2020** **kWh ('000)**	**2020** **% of total consumption**	2019 kWh ('000)	2019 % of total consumption
Energy from Waste Parasitic Consumption	**26,303**	**10%**	25,578	8%
Electricity	**28,003**	**10%**	32,578	10%
Gas	**2,258**	**1%**	3,401	1%
Diesel	**159,320**	**58%**	187,462	60%
Unleaded	**13,752**	**5%**	9,297	3%
Red Diesel	**44,385**	**16%**	52,579	17%
Kerosene	**410**	**<1%**	525	<1%
LPG	**741**	**<1%**	1,313	<1%
Business travel in employee-owned vehicles	**454**	**<1%**	2,323	<1%
Total	**275,626**	**100%**	315,056	100%

Our energy intensity is annual energy consumed per annual turnover, in 2020 this was: 0.118 GWh/£m turnover (2019: 0.128 GWh/£m), resulting in 8% lower energy intensity as against our 2019 performance.

Methodology: Carbon emissions are calculated in accordance with the GHG Protocol – Corporate Standard (version 3.51) and the Waste Sector built on GHG Protocol and externally verified by our parent company external auditors PricewaterhouseCoopers. Our total energy consumption has been calculated using data and methodologies compiled in the fulfilment of the Energy Savings Opportunity Scheme (ESOS) Regulations.

Going concern

The Group is financed through a mixture of shareholder equity, other equity instruments issued to Ferrovial companies, intercompany debt from Ferrovial companies, finance leases, non-recourse project-related bank term loans, other bank loans and overdrafts. Details of all bank loans and their maturity are set out in note 22 to the financial statements whilst details of finance risks are set out in note 15.

The Group's key external banking facilities are five bilateral facility agreements of £32 million with each of HSBC Bank plc, Lloyds Bank plc, Royal Bank of Canada, The Royal Bank of Scotland plc and Santander. These agreements total £160 million with £32 million maturing in July 2021 and £128 million maturing in July 2022. A subsidiary company of the Group also has an additional facility of £23 million with The Royal Bank of Scotland plc which matures in June 2021.

At 31 December 2020, all £160 million of the bilateral facilities were undrawn and the Group also held £71 million of unrestricted cash on the Group balance sheet with £22 million of other bank loans drawn down. In February 2021, the Group concluded its discussion with its lenders to replace the £32 million loan expiring in July 2021 with new loans totalling £40 million expiring in July 2022. Additionally, with effect on 31 December 2020, shareholder loans of £85 million were extinguished as part of a further recapitalisation of the Group for additional total equity of £112 million.

Report of the Directors *(continued)*

Going concern *(continued)*

Notwithstanding this improved financial strength, the Directors of the Group have reviewed a number of factors including:

- the future business plans of the Group (comprising the results for 2020 and the draft budget and strategic plan for 2021 to 2025);
- the availability of core and ancillary financing facilities including those provided by Ferrovial;
- the compliance with the related net debt/EBITDA banking covenant which must remain under 3.00x;
- the projected drawn positions and headroom available on the core committed financing facilities; and
- the projected future cash flows of the Group comprising:
  - a Base Case forecast built up from the budget for 2021; and
  - a Reasonable Worst Case ('RWC') forecast which applies sensitivities against the Base Case

The RWC forecast looks at the following key sensitivities:

- a reduction to the Group's EBITDA of £24 million in 2021 and £33 million in 2022 to reflect the ongoing volatility in the UK trading performance and sector dynamics;
- additional sensitivity around the timing of receipts;
- assumption allowing for a further reduction in the number of days outstanding of trade payables;
- a significant delay in the dates budgeted for the sale of the non-core businesses; and
- repayment of £23 million of the Group's banking facilities in June 2021.

The Directors note that the COVID-19 pandemic has had a material impact on the Group's earnings during the year ended 31 December 2020 however the impact was primarily in the 2nd and 3rd quarters of that year. As the Group gained more clarity over the key worker status and new working practices the impact on day to day operations reduced significantly during the last quarter and as, evidenced by minimal effect of the second national lockdown, the Group does not anticipate any further impacts even if further lockdowns are required. As a consequence, the RWC does not consider any impact specifically due to subsequent COVID-19 waves, although the business case sensitivities analysed allow for a worsening trading environment.

The Group's cash flow forecasts show that there is sufficient liquidity to enable it to continue trading should all the above sensitivities materialise. In addition to the above sensitivities, management has also considered actions that can be taken in order to mitigate any significant additional reductions in headroom due to unforeseen events which would include actions such as delaying Ferrovial management fees and interest and payments to suppliers. The increased liquidity of these actions give comfort to managements that it would have enough headroom to manage such unforeseen impacts.

The Board has also considered the implications behind the ongoing strategic decision of Ferrovial to divest its Services portfolio, reconfirmed in February 2021. This decision does not impact Amey's day-to-day operations and, in any event, as the Group does not rely on Ferrovial contractual guarantees there are no implications to the ongoing trading operations of the Group after a sale. The impact on our financing arising from a change of control would be as follows:

- Our external facilities totalling £168 million may become due for repayment subject to the change of control requirements which require the buyer to be of equivalent credit rating to our ultimate parent company; and

- The £45 million consideration still outstanding to Amey Birmingham Highways Limited would be immediately payable under the terms of the settlement agreement with them.

Report of the Directors *(continued)*

Going concern *(continued)*

Notwithstanding the above, the Board of Amey consider that the Group remains a going concern status in the event of a sale. In making this decision the Board has assessed the following points:

- Ferrovial's chief executive has stated and reconfirmed in February 2021 that Ferrovial will only sell Amey for full value. The implication of this is that the successful buyer would stand to lose its full investment if it had not arranged for suitable refinancing, waivers or alternative plans for the business to enable it to continue trading. The Board believes, based on evidence gained during the sale process in 2019, that a sale to a buyer that could not demonstrate its capability to ensure Amey remains appropriately funded to be highly improbable and the Board therefore expects Amey to be a going concern, with suitable financing after such sale;

- Since the previous set of financial statements there has been ongoing dialogue between the board members of Amey and board members and senior executives of Ferrovial. These conversations give the Board comfort that Ferrovial is committed to an orderly sale process to a reputable buyer with appropriate financial standing. Ferrovial's actions, such as the recent conversion of additional debt to equity have been evidence of Ferrovial's support to Amey and consistent with these verbal assurances. Given the 20-year association between Ferrovial and Amey, the £160 million of additional funding in the last three years, the existing investments that Ferrovial has in the UK outside of Amey and Ferrovial's strong social and business values, the Board consider it to be highly improbable that Ferrovial would jeopardise its reputation by undertaking a fire-sale at undervalue; and

- Ferrovial is fully aware of the powers of the trustees under the governing documents of the defined benefit pension schemes and of the regulatory regime operated by the Pension Regulator and would have regard, as appropriate, to factors relating to the defined benefit pension schemes on any sale.

In summary, since Amey's last set of financial statements for the year ended 2019 signed in June 2020, Ferrovial has extinguished substantial loans to the Group and provided additional equity. The Group has also settled all the sums due in 2019 and 2020 in respect of the Birmingham contract. The Directors believe that Amey is in a stable operating environment with clear evidence that Ferrovial continues to be a supportive shareholder who will ensure that Amey continues to operate successfully for the foreseeable future.

Political donations

No contributions were made to any political parties during the current or prior period.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor. In accordance with s487 of the Companies Act 2006, Deloitte LLP will be reappointed as auditor to the Company for the year ending 31 December 2021.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Report of the Directors *(continued)*

Directors' responsibilities statement *(continued)*

In preparing parent company financial statements Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Directors as to disclosure of information to auditor

In accordance with the provisions of s418 of the Companies Act 2006, each of the Directors at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all of the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This Report was approved and authorised for issue by the Board of Directors on 26 May 2021. Signed on behalf of the Board by:

Jayne Bowie
Company Secretary
26 May 2021