



John Laing Pension Fund

Implementation Statement
Reporting year to 31 March 2025

Background and Implementation Statement

Background

The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing regulatory guidance relating to stewardship and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of the Trustee's fiduciary duty.

Implementation Statement

This document is the Annual Implementation Statement (the "statement") prepared by the Trustee of the John Laing Pension Fund (the "Fund") covering the Fund year from 1 April 2024 to 31 March 2025.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustee, the Trustee's policies on engagement and voting (where relevant) (required under regulations 2(3)(c) of the Occupational Pension Schemes Investment Regulations 2005) as set out in the Statement of Investment Principles (the "SIP") have been adhered to during the year; and
- A description of voting behaviour (where relevant, including the most significant votes made on behalf of the Trustee) and any use of a proxy voter during the year. The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Fund's assets including but not limited to investment managers, portfolio construction, environmental, social and corporate governance (ESG) considerations and risks. The latest version of the SIP can be found online here [My Work Pension](#). The Trustee notes the regulations around voting requirements. However, as none of the Fund's assets, which are bond based and not equity, had voting rights attached to them during the year to 31 March 2025, the focus of this statement is on engagement.
- The statement notes that the Trustee will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflict of interest, risks, social and environmental impact and corporate governance.
- Over the reporting year, the Fund's investment arrangements were maintained in a portfolio combining the following:
 - A high level of liability hedging through a fully segregated LDI portfolio.
 - A liquid collateral buffer made up of high quality, investment grade, liquid asset backed securities.
 - A high quality, investment grade corporate bond portfolio.
- The Fund continued to report in line with Task Force on Climate-related Financial Disclosures ('TCFD') recommendations during the year, outlining the Fund's approach to managing climate-related matters. The report can be found online here [My Work Pension](#).

Managing risks and policy actions

As outlined in the SIP, the Fund is exposed to a number of underlying risks and financially material considerations relating to the Fund's investment strategy.

The Trustee's policies in respect of these issues, including how financially material considerations are taken into account in the selection, retention and realisation of investments are summarised below. A summary of the actions the Trustee has taken to implement the policies over the 12-month period to 31 March 2025 is also included.

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Deficit risk	Measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.	Managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.	The Trustee receives regular funding updates from the Fund Actuary. An appropriate funding strategy is agreed as part of Actuarial Valuations.
Manager risk	Measured by the expected deviation of the return relative to the benchmark set and/or objective set.	Managed through consideration of the appropriate amount of the Fund to allocate to each active portfolio and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the manager's investment process	<p>The Trustee reviews the performance of the investment managers on a regular basis via reporting provided by the investment consultant.</p> <p>The Trustee receives advice from the investment consultant on the suitability of the investment managers and the investment mandates the Fund invests in.</p> <p>The Trustee reviews Schroders' performance as part of reporting received from the investment adviser.</p>
Liquidity risk	Measured by the level of cashflow required by the Fund over a specified period.	Managed by the Fund's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding	<p>The Trustee invests the Fund's assets in portfolios that are sufficiently liquid to provide cash to the Fund's administrator in a timely and cost-effective manner.</p> <p>The Trustee invests in a segregated LDI portfolio which increases flexibility</p>

		assets of appropriate liquidity.	and therefore increases resilience to liquidity risk.
Interest rate and inflation risk	Measured by comparing the likely movement in the Fund's liabilities and assets due to movements in inflation and interest rates.	Managed by holding a portfolio of matching assets (physical bonds and/or derivatives) that enable the Fund's assets to better-match movements in the value of the liabilities due to inflation and interest rates.	The Trustee's policy remains to target a high degree of liability hedging within the strategy.
Political risk	Measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.	Managed by regular reviews of the actual investments relative to the policy and through the level of diversification within the existing policy.	The Trustee maintained a diversified portfolio of growth assets, including asset backed securities and corporate bonds over the period.
Counterparty risk related to buy-in	Measured by the proportion of liabilities being covered by the buy-in (Project Bullet only) with Aviva.	Managed through a proportion of the premium paid to Aviva being invested in a segregated account where the assets are owned by the Trustee but are managed under an agreement between the Trustee, HSBC as custodian to the account, and Aviva Investor Global Services Limited. In addition, a surrender value provision is included in the contract in the event of Aviva falling below solvency thresholds set out in the contract. This relates only to the Project Bullet Buy-in.	Aviva provides quarterly reporting on the portfolio. This relates only to the Project Bullet Buy-in.
Currency risk	Measured by the level of exposure to non-Sterling denominated assets.	Managed by the implementation of a currency hedging programme (through a combination of a segregated currency hedging overlay and currency hedging carried out by some of the Fund's investment managers) which reduces the impact of exchange rate	The Trustee maintains a policy of largely hedging currency risk within the Fund's portfolio.

		movements on the Fund's asset value.	
Derivatives risk	<p>Counterparty risk – the risk that a counterparty to the Fund or a portfolio the Fund invests in fails to meet its obligations.</p> <p>Basis risk – the returns from backing assets used to meet the payable leg of a derivative contract may not match exactly.</p> <p>Liability risk – pension liabilities can only be estimated and there is a risk of divergence between the performance of the derivatives and the actual value of the liabilities (for example, due to changes in assumptions or demographics).</p> <p>Legal and operation risk – the successful operation of derivatives depends on the various legal documents governing the derivative contracts and the correct completion of some operational tasks.</p>	<p>Counterparty risk – this risk is mitigated through collateral management, diversifying exposure across counterparties, and the use of robust ISDA, GMRA or other relevant derivatives documentation, either directly or through BlackRock using its pooled funds.</p> <p>Basis risk is addressed through the investment policy adopted by the Trustee for the backing assets and the investment managers' asset management capabilities.</p> <p>Liability risk is mitigated by updating the liability hedging benchmark at appropriate regular intervals.</p> <p>Legal and operation risk -The Trustee takes appropriate advice when putting in place legal documents, reviewing legal documents already in place and appointing and monitoring providers capable of carrying out the required operational tasks.</p>	<p>The Trustee manages derivatives by using a well established and regulated investment manager to implement suitable positions for the Fund's investment strategy. The Trustee receives advice on the investment manager's suitability from the investment consultant. The Trustee will also take legal advice when required.</p> <p>The Trustee instructed the investment manager to extend the LDI counterparty panel in November which is expected to increase diversification and reduce reliance on any individual counterparty.</p>
Sponsor risk	Measured by receiving regular financial updates from the Employer.	Managed through an agreed funding approach.	The Trustee receives regular updates on the Employer's financial performance.

<p>Environmental, Social and Governance (ESG) risk</p>	<p>Measured by the exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Fund's investments.</p>	<p>Managed through appointing managers who satisfy the following criteria: a track record of using engagement and any voting rights to manage ESG factors; ESG specific reporting; UN PRI signatory; UK Stewardship Code signatory. The Trustee monitors the managers on an ongoing basis.</p>	<p>The Trustee, via its investment adviser, monitors the investment managers' engagement and voting (where relevant) policies.</p> <p>The investment consultant liaises with the investment manager on a regular basis. As part of the appointment of Schroders as the Fund's investment manager, Schroders presented to the Trustee on its approach to ESG. The investment adviser will provide updates on an ongoing basis on Schroder's approach including any possible areas for improvement. Schroders presented an update on the portfolio to the Trustee during the reporting year.</p>
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The Trustee also considers risk related to the AVC arrangements and will review these arrangements at appropriate intervals. As outlined in the SIP, the Fund is exposed to a number of underlying AVC risks and financially material considerations relating to the Fund's investment strategy. The Trustee will review this at appropriate intervals.

Statement of Investment Principles

The Trustee keeps the Statement of Investment Principles (SIP) under review and will consult with the Sponsoring Employer before making any updates as required by regulation. The SIP was last updated in January 2024 and was reviewed in March 2025.

The key policies in the SIP with regard to ESG are set out below. The Trustee reviews the investment managers on an ongoing basis including their policies and practices around ESG.

- The Trustee recognises that environmental, social and corporate governance (ESG) factors (including climate change) can impact investment risk and return and, where investment style and resources permit, encourages its investment managers to take such factors into account in the exercise of their delegated duties. The Trustee has no reason to believe that its approach is out of line with members' views. Other non-financial matters are not taken into account.
- Where an Investment Manager's processes with regard to ESG considerations are deemed insufficient by the Fund's Investment Adviser, and the Investment Manager does not take steps to improve their approach, the Investment Manager's position in the portfolio may be reviewed.
- For most of the Fund's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their stewardship and engagement activity to drive improved performance over these periods. In assessing the manager's activities in these 5 areas, the Trustee will consider relevant matters including the capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings.
- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

Engagement

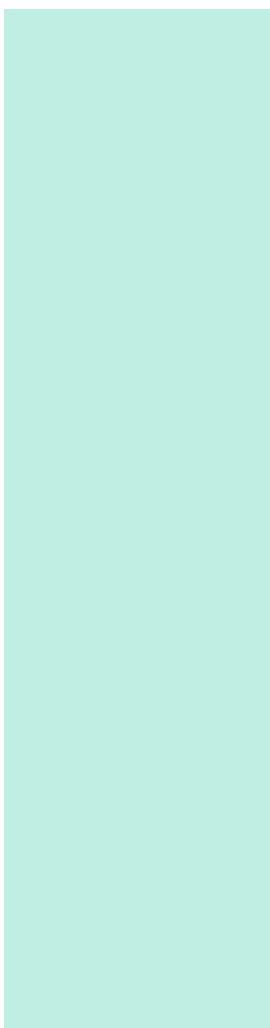
The Fund invests via fund managers who have provided details on their engagement actions, including a summary of the engagements by category for the 12-month period to 31 March 2025. The LDI portfolio engagements are for the 12-month period to 31 December 2024 as Schroders are only able to provide this data on a calendar year basis.

Below we report both the total number of engagements by the Fund's investment manager, Schroders, and a breakdown by the category of engagement. Note the total for the subcategories may be greater than the total as some engagements will have covered multiple categories.

Due to Schroders only providing meaningful engagement metrics for the LDI portfolio, we have also included the overall firm level engagements for the reporting year.

Fund name	Engagement summary	Commentary
Schroders – firm wide engagement	<p>Total engagements: 1236 Number of entities engaged: 783</p> <p>Environmental: 1098 Of which relating to Carbon capture and removal: 28 Circular economy, pollution and waste: 56 Climate adaption: 50 Climate alignment – decarbonising and minimising emissions: 594 Climate risk oversight: 176 Deforestation: 63 Nature-related risk and management: 98 Sustainable food and water: 33</p> <p>Social: 470 Of which relating to Communities: 33 Corporate culture and oversight of human capital: 25 Customers and consumers: 70 Engagement and representation: 15 Health, safety and wellbeing: 37 Investment in the workforce: 28 Overarching approach to human rights: 56 Purpose, strategy and capital allocation: 93 Relationship with shareholders: 14 Value chain diversity and inclusion: 13</p>	<p>Schroders have been involved in a number of engagements over the reporting year across environmental, social and governance concerns.</p> <p>Environment – climate change Schroders engaged with Rio Tinto, the mining corporation, on its exposure to climate transition risk due to its carbon-intensive operations and possible significant negative impacts on nature and communities. Schroders discovered that the company lobbied the Australian government to weaken proposed updates to the Environmental Protection and Biodiversity Conservation Act (“EPBC Act”) to oppose the inclusion of climate considerations and new conservation areas. Additionally, the company reached out to Schroders to discuss potential updates to their transition plan. Schroders explained to the company that lobbying the government to reduce climate and nature policies undermines the credibility of their climate transition plan and could result in Schroders voting against their plans. Schroders engaged with the objective of improving the company’s Scope 3 targets and how they are going about reducing emissions. Through engagement, the company updated its public position on EPBC Act and Schroders</p>

	<p>Workers: 66 Workforce diversity and inclusion: 20</p> <p>Governance: 402 Of which relating to Board diversity and inclusion: 29 Boards and management: 95 Executive diversity and inclusion: 7 Executive remuneration: 101 Just transition: 44 Transparency, risk and reporting: 68 Other: 58</p>	<p>gained information on the company's risk management and potential implications and opportunities for responsible mining necessary for the net zero transition. Schroders will continue to monitor the company's climate progress.</p> <p>Social – Artificial Intelligence ("AI") Schroders engaged with a number of companies where they believe AI is highly material to their business models and where any potential risks need to be carefully managed. Schroders engage with companies on a number of issues, including board oversight of AI, AI governance and oversight, human rights due diligence, training on AI, and identifying and capitalising on AI opportunities. As signatories to the World Benchmarking Alliance's Investor Statement on Ethical AI, Schroders request portfolio companies to create and report on AI principles to guide decision making when AI is used. Given the increasing uptake and evolving nature of AI in companies and society, Schroders expects their engagement in this area to continue to grow.</p>
<p>Schroders LDI</p>	<p>Total Engagements: 20</p>	<p>Over the last year, a key engagement focus for Schroders has been on climate change. As such, Schroders have focused on engaging with counterparty banks on climate risk and oversight, and alignment where they discuss how the banks can align their loans and investments away from high emission activities and towards net zero emission technologies.</p> <p>Schroders also engage with other market participants on ESG related issues for example the Bank of England and the Debt Management Office. Schroders engages in industry initiatives and regulation in order to represent their clients' views to key organisations. Significant examples of how Schroders engaged are outlined below.</p> <p>UK Treasury: Schroders engaged with the Economic Secretary to the UK Treasury around gilt issuance for the coming year. Schroders provided market insights, an assessment of potential benefits and risks associated with gilt issuance options (including green gilts), and a recommendation of the optimal gilts to issue. Schroders noted this engagement was successful, as it resulted in meaningful outcomes including helping the government to understand the possible risks and trade-offs of different types of gilts and helping inform their decision-</p>



Schroders Buy & Maintain

making process. Going forward, Schroders will continue to collaborate with the UK Treasury to monitor market conditions and provide further guidance where needed.

Regulator engagement (Bank of Ireland ("CBI"), Commission de Surveillance du Secteur Financier ("CSSF"), Financial Conduct Authority ("FCA") and The Pensions Regulator ("TPR")):

Following the 2022 movements in Gilts, the CBI and CSSF announced new GBP LDI Pooled Fund regulations in April 2024. This included an announcement that assets held outside a GBP LDI Pooled Fund will no longer count towards the buffer level and the regulatory minimum will be set at 3.0% for any LDI Pooled Fund. Schroders noted they were supportive of the announcement and regularly engaged with CSSF to discuss the regulations. Schroders increased the buffer level in 2024 for their pooled funds. Schroders continue to engage with CSSF to communicate their pooled funds' resilience in line with the new buffer level. Additionally, Schroders continue to engage with the FCA and tPR to highlight potential implications of the announcement on the LDI industry.

Schroders will continue to engage with regulators on these matters.

Schroders were unable to provide the total number of engagements over the year.

Schroders were able to provide SustainEx scores for the fund (this is an internal tool that assesses investments from an ESG perspective), which gives an indication of the portfolio's externalities for a few metrics, including a 'People' score and a 'Planet' score which aims to illustrate the portfolio's potential benefits and harms against the people and planet metrics. Schroders noted the overall SustainEx score was +5.0%, which indicates \$5 of relative notional positive impact per \$100 of sales. This score has been calculated by Schroders for companies and other issuers in the portfolio to produce the overall score.

An example of how Schroders have engaged over the year is outlined below.

Barclays: Schroders have engaged with the bank regarding their approach on climate change policies and targets. Through their earlier engagements with Barclays dating back to 2008, Schroders encouraged the bank to measure emissions relating to financing activities, set climate targets and to create climate policies.

In more recent engagements, Schroders have discussed the scope and completeness of targets as well as providing disclosure on client transition. Through engagement with Schroders, the bank has reduced its emissions linked to financing of the energy sector by a third over the last three years.

Additionally, Barclays have committed to end financing for oil sands exploration, production companies, and other related projects. Schroders will continue to engage with the bank on a range of topics,



including the banks progress towards their Climate Change Statement, growth of financed emissions targets to cover a greater proportion of the company's total financed emissions, and increased levels of disclosure on financing of clients involved in fracking.

Schroders ABS Funds

Schroders were unable to provide meaningful examples of ESG related engagements during the period. This is a common theme within the ABS market and Schroders are taking steps to see if this can be addressed.

Voting

There were no voting rights attached to the Fund's investments over the year to March 2025. All of the Fund's assets are in credit-based assets, Gilts, or derivatives with Schroders where there are no voting rights attached. Consequently, no voting information has been reported.

The information contained herein, and views expressed by Isio are based solely on information provided by the investment managers. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.