

Statement of Investment Principles – The John Laing Pension Plan (August 2024)

Introduction

- 1 This document is the Statement of Investment Principles ('SIP') made by the Trustee of the John Laing Pension Plan (the 'Plan') in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).
- 2 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee took written advice from the Plan's Investment Consultant (Towers Watson Limited) and consulted John Laing Plc. (the 'Company'). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.
- 3 This Policy remains the property of the Trustee. Reproduction of any kind by other parties is not permitted without the prior agreement of the Trustee.

Plan objectives

- 4 The Trustee's duty is to act in the best interests of the beneficiaries of the Plan. The Trustee's primary investment objective therefore, is to maintain the solvency and control of the risk of insolvency at an appropriate level.
- 5 The Trustee recognises the importance of maintaining solvency of the Plan. Solvency can be measured in various ways: for example, it may be measured as the cost of securing benefits with an insurance company in the event of the Plan being discontinued, or using the Plan's Technical Provisions funding basis, which amongst other things, determines whether or not any contributions need to be paid to the Plan by the Company.
- 6 Key short-term funding objectives for the Plan are that:
 - a The value of assets should at least equal the value of liabilities calculated on a solvency basis; and
 - b The Plan should have access to adequate readily available funds so as to ensure that benefits can be paid as and when they fall due.
- 7 With regard to the Trustee's power of investment, the power should be exercised so as to aim to maximise the return on the investment within an acceptable level of risk of the investment in question. The expected income yield and capital appreciation are both considered by the Trustee in judging the expected return from the investment in different asset classes. Following the purchase of a bulk annuity policy to meet the Plan's liabilities, the Trustee has adopted a policy which, whilst endeavouring to add some value, minimises the risk of insufficient assets being available to meet the costs of winding up the Plan.
- 8 The Trustee's longer-term aim is to wind up the Plan following its purchase of a bulk annuity insurance policy to secure the Plan's liabilities.

Investment strategy

- 9 In 2024, the Trustee, in conjunction with the Investment Adviser and transactions specialist, completed a review of the Plan's investment strategy. This review considered the Trustee's objectives outlined above, alongside the following factors:
- (a) the long-term nature of the liabilities; and
 - (b) the Company's ability to absorb cost fluctuation; and
 - (c) the securing of Plan liabilities with an insurance company (i.e. buy-in)
- 10 The Trustee will monitor the liability profile of the Plan and will regularly review, in conjunction with the Investment Consultant and the Scheme Actuary, the appropriateness of its investment strategy.
- 11 The Trustee's policy is to target that any investments in addition to the buy-in policy should be held in liquid or readily realisable assets to meet cashflow requirements. The Trustee, together with the Plan's administrators, will hold sufficient cash to meet benefit and other payment obligations.

Asset Allocation Policy

- 12 Following the 2021 review and subsequent purchase of buy-in policy on 26 March 2024, the Trustee has now allocated all non-buy in assets to the LGIM Cash Fund. The updated asset allocation (excluding the buy-in) and corresponding performance benchmark is set out in the table below:

Pooled Fund	Benchmark Index	Central Benchmark %
Cash	SONIA	100%
Total		100%

The Plan's allocation to cash assets is invested in a passive index-tracking pooled fund which aims to track the performance of its relative index as shown in the above table. The Plan's allocation to cash will not be subject to any automatic rebalancing.

Investment Manager

- 13 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager. The investment manager shall provide the skill and expertise necessary to manage the investments of the Plan competently.
- 14 The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for the manager, consistent with the achievement of the Plan's long-term objectives, and an acceptable level of risk.

- 15 To maintain alignment to the policies within this Statement, the manager is provided with the most recent version of the Plan's Statement of Investment Principles on a regular basis and is required to confirm that the management of the assets is consistent with those policies relevant to the mandate in question.
- 16 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.
- 17 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. Other non-financial matters, such as individual member's views are not taken into account.
- 18 As the assets of the Plan are managed in pooled arrangements, the Trustee accepts that the assets are subject to the investment managers' own policies on social, environmental and ethical investment and on rights attaching to investments. However, the Trustee expects its Investment Managers to consider a range of sustainable investment factors in its responsibility of the Scheme's assets, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework.
- 19 The Trustee recognises that it may not be appropriate for the Plan's investment managers to directly take account of social, environmental or ethical considerations in the construction of its passive index tracking portfolios through exclusions. It is the Trustee's policy to give discretion to the Plan's investment managers to pursue a policy of engagement with its investee companies. The extent to which social, environmental or ethical considerations are taken into account in the pursuance of this policy is left to the discretion of the investment managers.
- 20 The Trustee has reviewed the investment managers' policies in these areas and is satisfied they broadly meet with the Trustee's views. The Trustee will continue to monitor the managers' actions on a regular basis.
- 21 Where an Investment Manager's processes with regard to ESG considerations are deemed insufficient by the Plan's Investment Advisor, and the Investment Manager does not take steps to improve their approach, the Investment Manager's position in the portfolio may be reviewed.
- 22 For most of the Plan'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 areas, the Trustee will consider relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings.
- 23 The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.
- 24 The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the Investment Manager.
- 25 Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.
- 26 The Trustee reviews the costs incurred in managing the Plan's assets annually, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Additional Voluntary Contributions (AVCs)

- 27 Former active members of the Plan historically provided additional retirement benefits for themselves by paying Additional Voluntary Contributions (“AVCs”).
- 28 AVC funds are invested separately from the assets backing the Plan’s defined benefit liabilities. In practice members are able to take some or all of their AVC funds as a cash lump sum on retirement.
- 29 All AVC funds are held in cash accounts, provided by Clerical Medical and have been closed to new contributions for some years.
- 30 The Trustee recognises that the AVC options available to members do not provide protection against the uncertainty inherent in three specific AVC investment risks (inflation risk, capital risk and pension conversion risk). However, based on the grounds of materiality and the past experience of the majority of member’s taking their AVC funds as a cash lump sum, the Trustee does not intend to provide additional AVC investment options.

Other matters

- 31 The Plan is a Registered Pension Scheme for the purposes of the Finance Act 2004.
- 32 The Trustee recognises a number of risks involved in the investment of the assets of the Plan. The table below sets out some key risks identified by the Trustee and the measures taken to satisfactorily control these risks. The measures do not render the investment strategy free of risk, rather, the measures endeavour to balance the need for risk control and the need for assets which are likely to achieve the required performance target:

Summary of Risks and Control Measures: Risk	Control Measure
Under funding on a discontinuance or ongoing basis	Risk is managed through the purchase of a buy-in policy.
The investment manager adopting extreme positions to achieve Trustee’s performance target	The Plan’s assets are invested on a passive basis. Therefore, the Investment Manager is only required to track changes in a defined index. The Trustee monitors the Plan’s asset allocation and performance to ensure they are in line with the instructions issued to the Investment Manager.
Market returns falling below expected levels over the longer-term	The Trustee reviews the investment strategy, in conjunction with the financial position of the Plan shown in actuarial valuations.
The investment manager under-performing the investment markets	The Plan’s assets are invested in low cost passive index- tracking pooled funds.
Security of Plan assets	The Plan’s assets are invested in pooled funds, where the assets are held separately from the Investment Manager’s assets by an independent custodian the security of members’ benefits.
The assets not being marketable when cash requirement enforces security sales	Investing in pooled funds which in turn invest in liquid marketable securities.
Movements in foreign exchange rates reduces the value of the Plan’s assets and the security of	The Trustee invests only in sterling denominated funds and is therefore not exposed to currency risk.

members' benefits	
Movements in inflation and interest rates result in a deficit in the Plan	The Trustee invests in a buy-in policy which matches movements in inflation and interest rates.
The sponsoring employer becomes insolvent or can no longer financially support the pension Plan	<p>The Trustee monitors the covenant of the Company on a regular basis.</p> <p>In addition, the Trustee has adopted a low risk investment strategy that reduces the reliance on the support of the Company in the long-term.</p>
