

John Laing Capital Management Limited Remuneration Policy Statement

December 2018

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1. Introduction

The Financial Conduct Authority (“FCA”) IFPRU Remuneration Code (“the Code”) applies to John Laing Capital Management Limited (“JLCM”). JLCM is a wholly-owned subsidiary of John Laing Group plc (“JLG”) (together with its subsidiaries, “the Group”). No other company in the Group is caught by the Code.

JLCM is required to comply with the Code requirements within section 19A of the FCA Systems and Controls Sourcebook, the FCA’s handbook of rules and guidance. The FCA has defined a three level proportionality framework which sets out its expectations on the level of application of the Code to different types of firm. JLCM falls into the definition of the lowest level, namely proportionality level 3.

JLCM’s performance year runs from 1 January to 31 December. This Remuneration Policy Statement is in respect of the year ended 31 December 2017.

This Remuneration Policy Statement is subject to amendment in line with changes in the Group’s business model brought about by regulatory, economic, environmental, political and market forces.

The policy is implemented through the following components of remuneration and contractual arrangements, each having a specific role in achieving the Group’s remuneration objectives:

- Basic Salary
- Benefits
- Bonus / Discretionary annual awards

This Remuneration Policy Statement is drafted in line with the FCA’s guidelines and is overseen by the Group’s Remuneration Committee (the “Committee”).

2. Code Staff Criteria

The remuneration principles of the Remuneration Code must be applied to all “Remuneration Code staff” (“Code Staff”). These are employees working for JLCM whose professional activities have a material impact on JLCM’s risk profile.

The following groups of employees have been identified as meeting the Remuneration Code criteria for Code Staff:

1. FCA Approved Persons who perform a Significant-Influence Function (as defined by the FCA Rules);
2. “Risk takers” and any individuals within their control who have a material impact on JLCM’s risk profile.

The Code Staff population will be reviewed at least annually by the Committee. Individuals are notified of their Code Staff status and the implications of this annually.

3. Reward, Philosophy & Strategy

The policy of the Group, which is applicable to JLCM, to attract, retain and reward high quality staff by ensuring our pay and terms of employment strategy is reviewed regularly (at least annually) with the following objectives in mind;

- Competitive reward packages within our market are offered;
- A culture of integrity and strong ethics is cultivated;
- A strong performance related culture is reinforced;
- There is a synergy between skills development and reward;
- Individuals' contributions to the business are recognised;
- Remuneration policy is in line with the Group's strategies and values and the long-term interests of the Group and its clients ;
- Sound and effective risk management is promoted and excessive risk-taking is discouraged ;
- Appropriate measures are in place to avoid conflicts of interest.

4. Remuneration Structure

The Group's standard remuneration package, which is applicable to employees of JLCM, consists of the following:

- A competitive base salary;
- Stakeholder Pension Plan with employer contribution;
- Entitlement to occupational sick pay;
- Life assurance cover;
- Paid annual leave entitlement dependent on seniority,
- Bonus eligibility for all employees;
- JLCM Incentive Plan for senior management.

5. Market Position

Taking into account total remuneration, the Group's aim is to reward at or around the market median level, whilst applying upper quartile reward for upper quartile performance. This applies to all Group entities, including JLCM.

6. Base Salary

The Group's aim is to ensure base salaries remain competitive and, in general, are paid at or around market median level. The base pay of JLCM employees is reviewed annually as part of the annual pay review process.

The annual spend on base pay is determined and approved by the Committee based upon the Group's competitive market pay position, affordability, economic and job market conditions.

Base salary levels are designed to be sufficient so that all Group employees, including those working for JLCM, are not totally dependent on their variable compensation.

7. Annual Bonus and Incentive Arrangements

The Group operates annual bonus and incentive arrangements which aim to incentivise and reward staff for delivery of results. Eligible employees of JLCM participate in one of two bonus schemes. In summary, these schemes are:

1. JLCM Incentive Plan (JLCM IP)

This scheme is available to directors and senior managers. Awards are made up of a specified number of units which give a conditional right to a cash payment. The value of the units is determined by a number of performance metrics which are set on an annual basis. 50% of the units under an award vest at the end of a one year performance measurement, with the remaining 50% vesting in three equal tranches in years 3, 4 and 5. The Committee reviews and recommends the personal awards of senior staff, and has a discretion to adjust or reduce a participant's bonus to zero where performance is not satisfactory. For employees linked to John Laing Infrastructure Fund Ltd (JLIF), the award is paid in March and for employees linked to John Laing Environmental Assets Group Ltd (JLEN), the award is paid in June.

2. Annual Bonus Scheme

This scheme applies to all members of JLCM staff who are not eligible to join the JLCM IP. The rewards under this scheme are based upon both fund performance and personal performance. 80% of the award is based on JLCM performance and 20% is discretionary. No deferral is applied. Awards are made following an assessment of fund, and individual performance. Individual performance is assessed in accordance with the Annual Appraisal and Development Review process, taking into account financial and non-financial criteria. Awards are made in cash and are usually paid in the March following the end of the financial year.

Both the JLCM IP and the bonus scheme are non-contractual and completely discretionary.

8. Remuneration Policy Principles

Under the Code there are a number of principles that have to be followed. These are documented below, along with JLCM's adherence to them.

Principle 1 – Risk Management and Risk Tolerance

The decision to pay a bonus is made by the JLCM management to reflect both personal performance and the financial status of JLCM.

During the period, JLCM provided investment advice to two funds. The Independent Directors of each fund make the actual investment decisions.

JLCM has a robust risk register that is reviewed by JLCM's Directors at each Board meeting, thus ensuring that all investment advice is within the risk appetite of the firm.

Principle 2 – Supporting Business Strategy, Objectives, Values and Long-Term

Interests of the Firm

JLCM's bonus scheme is not guaranteed. This allows JLCM to retain profit for future growth.

JLCM has no direct employees, but approximately 30 staff are seconded to it. JLCM places a high value on integrity and professionalism and promotes a healthy culture of compliance with all relevant regulations and legislation.

All secondees are fully aware of the values and objectives of JLCM. Any new individuals are carefully chosen to continue this approach and are paid in line with current market rates.

Principle 3 – Avoiding Conflicts of Interest

Bonuses are proposed by each individual's line manager, in line with the JLCM bonus policy. These bonuses are then reviewed by Human Resources and approved or amended by the CEO of JLCM, before a recommendation is made to the Committee. This process is designed to avoid any conflicts of interest.

Principle 4 – Governance

The Committee approves or amends all salary increases and bonuses for senior employees.

The remuneration policy is reviewed at least annually to ensure compliance with the Code.

JLCM will provide access to the Remuneration Policy Statement on the JLCM section of the JLG website.

Principle 5 – Control Functions

Controlled function employees are not involved in deciding their own bonus and have full authority to carry out their role.

Principle 6 – Remuneration and Capital

There are no bonus schemes that are either guaranteed or linked solely to the performance of the company. All bonus decisions are made taking into consideration the financial condition of the company.

Principle 7 – Exceptional Government Intervention

This is unlikely to occur.

Principle 8 – Profit-based Measurement and Risk Adjustment

Any bonus paid by JLCM is not paid in isolation. The financial strength of the Group and not just JLCM is taken into account when determining the amount of any bonus.

The JLCM Board reviews the risk register, to ensure that any bonus paid now, will not have an adverse future effect.

A prudent and pragmatic view is taken on the impact of any bonus payment on the financial stability of JLCM.

Principle 9 – Pension Policy

All JLCM employees are entitled to join the Group Staff Stakeholder Pension Scheme. The Stakeholder pension is a defined contribution pension scheme.

There is no policy for discretionary pension benefits.

Principle 10 – Personal Investment Strategies

All bonuses are paid in cash via the firm's payroll system to avoid any employees using hedging strategies to undermine the risk alignment effects embedded in their remuneration arrangements.

Principle 11 – Avoidance of the Code

All bonuses are paid via the Group's payroll system. This ensures that the appropriate levels of tax and national insurance are paid and that there is no avoidance of the Code.

Principle 12 – Remuneration Structures

Personal objectives are set at the beginning of the year, these are reviewed at mid-year and year-end. Both personal performance and JLCM's performance and financial condition are taken into account when making the remuneration decision.

It is possible for certain of JLCM's employees to have variable remuneration of more than 33% of total remuneration and total remuneration of more than £500,000. Therefore, the deferral of any bonus or performance adjustment has been applied to these employees.

JLCM's policy is not to offer guaranteed bonuses or to buy out deferred bonuses for new joiners.

JLCM has not offered any retention awards in the last twelve months and has no plans to do so in the future.

9. Group Remuneration Committee

Remit & Terms of Reference

The Committee reviews and approves the remuneration and expenses of senior managers, including those employed by JLCM, covering specifically:

- Total Remuneration - including base pay levels, bonus and incentive arrangements;
- Method of remuneration;

In addition to the above, the Committee;

- Monitors the performance management process being used in JLCM;
- Reviews the general terms and conditions and benefits of JLCM employees;
- Approves any material changes to standard terms and conditions of JLCM employees;
- Approves pay increase and bonus awards for all JLCM employees.

Composition

The Committee has been appointed by the Board of the Group and consists of not less than three members from amongst the independent Non-Executive Directors of the Group.

Conflicts

Any conflicts of interest of members of the Committee must be declared and recorded at each meeting. No individual is involved in decisions relating to their own remuneration.

Delegation

The Committee is authorised by the Board of JLG to obtain outside independent professional advice and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary.

10. Compliance with specific elements of the Remuneration Code

The Committee monitors remuneration arrangements across the Group to ensure that variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the Code.

11. Policy Review

All remuneration policies and practices are documented and are subject to periodic review by the Group Human Resources Director, and the Committee. The completion of the annual appraisal process, the remuneration decisions and the quality of the reviews are fully documented, tracked and reported using the performance management system.

The Committee continues to review recommendations from key stakeholders and consults with major shareholders on any key decisions taken.

Responsibility for the review, at least annually, and updating of this Policy Statement lies with the Group Human Resources Director, subject to sign-off by the JLCM Compliance Manager and the Committee.

The Group will take into account best practice standards in the UK and, where relevant, non-UK regulation and legislation covering;

- Applicable employment and equality law;
- The UK Corporate Governance Code;
- Tax and Pensions legislation;
- The Code.

Queries regarding this remuneration policy should be sent to the JLCM Compliance Manager.