

Innovene Pension Plan – Infrastructure Section

Investment Implementation Document (“IID”)

This Investment Implementation Document (“IID”) covers the Infrastructure Section (the “Section”) of the Innovene Pension Plan (the “Plan”) and details the policy of the Trustee relating to the implementation of the Plan’s investment arrangements, based on the Principles set out in the Plan’s Statement of Investment Principles (“SIP”).

Investment strategy

The table below reflects the current investment strategy, which is invested according to the following broad asset allocation:

Asset Class	Proportion (%)	Control Ranges (%)	Expected Return (relative to fixed interest gilts)
Return-Seeking Assets	40.0	30.0-50.0	
Multi-Asset Credit (1)	12.5	-	2.6%
Multi-Asset Credit (2)	7.5		3.3%
Passive Global Equities (GBP Hedged)	10.0	-	4.0%
Infrastructure Equity	10.0	-	4.9%
Risk-Reducing Assets	60.0	50.0-70.0	
Absolute Return Bonds	5.0	-	1.5%
Liability Driven Investment	45.0	-	0.0%
Long Lease Property	10.0	-	2.5%
Total	100.0	-	

⁽¹⁾ Expected returns are 10 year assumptions (net of investment management fees) as at 30 September 2024.

The Trustee acknowledges that during periods of heightened market volatility the asset allocation may be out of line with the benchmark and/or control ranges.

The Section currently holds a small allocation to a Direct Lending mandate with Permira (currently c.1% of total Section assets), however, this mandate is distributing capital back to the Section and is expected to completely unwind over the next one to two years. Therefore, no allowance has been made for this mandate in the above asset allocation. We include reference to this manager, however, as required below given they are an existing investment.

The Trustee has submitted a partial redemption request in respect of the Section’s allocation to the Long Lease Property mandate with M&G. The Section has received part of the redemption request, with the remainder expected to be paid back by September 2025. The allocation to this mandate is therefore expected to remain overweight in the short term vs the benchmark above.

The expected returns shown in the above table represent long-term expectations of asset classes as a whole. Short-term returns in some asset classes may exhibit considerable variability.

The Section’s present investment objective is to achieve a return of c.2.1% per annum above the return on UK Government bonds (which are assumed to move in a similar fashion to the calculated value of the Section’s liabilities).

The Trustee has agreed to hedge liabilities for both rates and inflation up to c.90% of Technical Provisions liabilities.

The Trustee will retain sufficient return assets in order to achieve full funding on a lower risk basis in a sensible timeframe.

LDI governance structure

The Trustee has delegated certain discretions to Legal and General Investment Management (L&G) in order to manage the hedge ratios relative to a liability benchmark within certain agreed parameters.

In order to manage the amount of leverage within the LDI funds, L&G will inform the Trustee of the amount of any required cash collateral call and/or distribution. In the absence of sufficient capital within the discretionary hedging mandate in order to meet a cash collateral call (requiring the Section to top up the investment in the LDI funds), L&G will automatically disinvest from L&G cash, bond or equity funds in accordance with their rebalancing instruction waterfall. In the event that cash is distributed from the discretionary hedging mandate, L&G will automatically pay these amounts directly into the L&G Cash Fund, with further reinvestment considered on a case-by-case basis.

Investment structure and mandates

The Trustee has invested in pooled funds managed by the following investment managers. All the investment managers are regulated under the Financial Services and Markets Act 2000.

Investment Manager	Mandate	Proportion %
Legal & General Investment Management Limited (“L&G”)	Passive Global Equities (GBP Hedged)	10.0
	Liability Driven Investment	45.0
	Absolute Return Bonds	5.0
J.P. Morgan Asset Management (“JPM”)	Infrastructure Equity	10.0
M&G Investments (“M&G”)	Long Lease Property	10.0
	Total Return Credit Fund	12.5
Wellington Management Company LLP (“Wellington”)	Multi-Sector Credit Fund	7.5
Permira Advisors LLP	Direct Lending	-
TOTAL		100.0

Mandate target returns, objectives and fees

L&G – passive global equities – World Equity Index Fund – GBP Currency Hedged

Benchmark	Objective	Fees
FTSE All World Index – GBP Currency Hedged	Track the benchmark	0.125% p.a.

L&G are to invest in the World Equity Index Fund – GBP Currency Hedged and their performance objective is to match the return on the FTSE All World Index – GBP Currency Hedged.

L&G – liability driven investment – Matching Plus Fund Range

Benchmark	Objective	Fees
Range of gilt indices	Bespoke	Fund management fee: 0.11% p.a. Discretionary hedging mandate fee: 0.03% p.a. subject to a minimum fee of £35,000 p.a.

L&G are to invest in a range of leveraged nominal gilt funds and leveraged index-linked gilt funds (Matching Plus Fund Range) that aim to hedge a proportion of the interest rate and inflation risk inherent within the Section's liabilities.

L&G – Absolute Return Bonds

Benchmark	Objective	Fees
3-month SONIA	3-month SONIA + 1.50% p.a. (gross)	0.25% p.a.

JP Morgan – infrastructure equity - Infrastructure Investments Fund

Benchmark	Objective	Fees*
N/A	Target 8-12% IRR and a cash yield of 5-7% p.a.	0.86% p.a.

*An Incentive Fee is charged at 15% of the excess return over a hurdle rate of 7% time-weighted returns, subject to the Incentive Fee Cap. The Incentive Fee Cap ensures there will be no Incentive Fee earned for any returns in excess of 13.5% p.a. Investors are expecting to receive a 5% discount to management fees once the aggregate NAV of the Fund exceeds \$40bn (which is expected to be the case during Q4 2024).

JP Morgan are to invest in a range of infrastructure equity investments in order to meet their target return objectives of 8-12% capital return on IRR and a cash yield of 5-7% p.a.

M&G - long lease property - M&G Secured Property Income Fund

Benchmark	Objective	Fees
50% FTSE Over 15 Year Fixed Gilts, 50% FTSE 5-15 Year Index Linked Gilts	RPI + 3% p.a.	0.50% p.a.

M&G do not have a stated investment objective, however it is our expectation that the Fund will outperform RPI (by c.3.0% p.a.) over the long term.

M&G – Multi-Asset Credit – Total Return Credit Fund

Benchmark	Objective	Fees
1 Month SONIA	1 Month SONIA + 3.0% (gross of fees)	0.45% p.a.

M&G are to invest across the credit universe and aim to generate a return of SONIA plus 3% p.a. (gross of fees) over a rolling three-year period. The default duration of the Fund will be zero.

Wellington – Multi-Asset Credit – Multi-Sector Credit Fund

Benchmark	Objective	Fees
N/A (total return)	5-7% p.a. over a market cycle	0.45% p.a.*

* The Plan benefits from an overall client relationship discount.

Wellington do not construct the Fund relative to a benchmark and do not use a benchmark for performance comparison purposes.

Permira – direct lending – Permira Credit Solutions III (Senior Fund) GBP Hedged

Benchmark	Objective	Fees
N/A (absolute return)	Achieve a net internal rate of return of 6-8% p.a.	1.00% p.a. on invested capital during the Investment Period, which is defined as three years from final closing. Invested capital refers to the proportion of the Section's commitment that has been drawn down. 0.75% p.a. on invested capital following the Investment Period.

Permira do not have a stated investment objective, however we typically compare performance to sterling 1-month SONIA plus 4% per annum for illustration purposes only.