Jacobs Engineering UK Limited Pension Scheme

Statement of Investment Principles

September 2020

Table of Contents

This page is intentionally blank

Section 1: Introduction

Pensions Act 1995

1.1 Under the Pensions Act 1995 (as amended), trustees are required to prepare a statement of the principles governing investment decisions. This document contains that statement, as drawn up by the Directors of Jacobs Three Limited (‘the Trustee’) as trustee of the Jacobs Engineering UK Ltd Pension Scheme (’the Scheme’), and describes the investment principles pursued by the Trustee.

1.2 Before drawing up this statement, the Trustee has obtained and considered written advice from the Scheme’s fiduciary manager, Towers Watson Limited, which the Trustee considers to be a suitably qualified firm. The Trustee has also consulted Jacobs Engineering UK Limited (‘the Employer’) on the principles set out in this statement and will consult the Employer on any changes to it. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.3 The Trustee will review the document regularly, at least every three years, and without delay following any significant change in investment policy.

Financial Services and Markets Act 2000

1.4 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for the selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

Scheme details

1.5 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries (‘Members’).

Section 2: Division of responsibilities

2.1 The Trustee has ultimate responsibility for decision making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

2.2 In particular the Trustee delegates a number of responsibilities to a fiduciary manager Towers Watson Limited ('the Fiduciary Manager').

Trustee's roles and responsibilities

2.3 The Trustee's primary investment role and responsibility is to set the overall strategic investment objectives for the Scheme, including a long-term journey plan and initial return target (taking advice from the Fiduciary Manager), and ensuring that these objectives remain appropriate over time.

2.4 The Trustee delegates a number of responsibilities to the Fiduciary Manager (as set out below). However, the Trustee reserves the right to make decisions on all such matters subject to informing the Fiduciary Manager as soon as practical after a decision has been taken.

Fiduciary Manager's roles and responsibilities

2.5 The Fiduciary Manager's roles and responsibilities include:

- Assisting the Trustee in developing an appropriate journey plan, return target and de-risking framework for the Scheme.
- Monitoring the overall progress of the Scheme and the underlying investment risk/return balance relative to the Trustee's strategic objectives and parameters, and reporting to the Trustee on an agreed frequency.
- Within the constraints of the agreed investment guidelines:
    - determining asset allocation;
    - liability hedging design and implementation;
    - selecting and de-selecting investment managers; and
    - implementing all asset transitions (including rebalancing).
- Leading and completing negotiations of investment manager agreements, including:
    - agreeing investment and commercial terms;
    - obtaining, considering and acting on legal advice as appropriate; and

- executing agreements on the Trustee's behalf under a Power of Attorney.

2.6 Investments are made by the Fiduciary Manager on behalf of and in the name of the Trustee, either directly in pooled vehicles or by the appointment of third party investment managers to provide discretionary investment management services to the Trustee.

2.7 The Trustee monitors the Fiduciary Manager's performance in carrying out these responsibilities as part of its ongoing oversight of the Fiduciary Manager. The Trustee expects the Fiduciary Manager to ensure that, the Scheme's investment portfolio, in aggregate, is consistent with the policies set out in this SIP, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee expects the Fiduciary Manager to:

- check that the investment objectives and guidelines of any pooled vehicle are consistent with the Trustee's policies contained in this SIP;

- set appropriate guidelines within each investment management agreement for segregated investments with a view to ensuring consistency with the Trustee's policies contained in this SIP.

Underlying investment managers

2.8 In accordance with the Financial Services and Markets Act 2000, the selection of specific investments is delegated to investment managers. The investment managers provide the skill and expertise necessary to choose and manage the investments of the Scheme competently and in accordance with the requirements of section 36 of the Pensions Act 1995.

2.9 The Trustee has delegated the selection and de-selection of, and the ongoing management of relationships with, investment managers to the Fiduciary Manager within guidelines set by the Trustee in the Fiduciary Management Agreement between the parties as amended from time to time ('the FMA').

2.10 The Trustee and Fiduciary Manager are not involved in the investment managers day-to-day method of operation and do not directly seek to influence attainment of their performance targets. However, the Fiduciary Manager may provide investment recommendations to investment managers appointed by the Trustee where it considers it appropriate. The Fiduciary Manager will maintains processes to ensure that performance and risk are assessed on a regular basis against measurable objectives for each investment manager, consistent with the achievement of the Scheme's long term objectives.

2.11 The Trustee expects the Fiduciary Manager to select investment managers with an expectation of a long-term partnership with the Trustees, which encourages active ownership of the Scheme's assets. When assessing an investment manager's performance, the Trustee expects the Fiduciary Manager to focus on longer-term outcomes, commensurate with the Trustee's position as a long-term investor. Consistent with this view, the Trustee does not expect that the Fiduciary Manager would terminate an investment manager based purely on short term performance but recognises that a manager may be terminated within a short timeframe due to other factors such as a significant change in their business structure or investment team. The

Trustee adopts the same long-term focus as part of its ongoing oversight of the Fiduciary Manager.

2.12 For most of the Scheme's investments, the Trustee expects the Fiduciary Manager to select investment managers with a medium to long time horizon, consistent with that of the Scheme. In particular areas such as equity and credit, the Trustee expects the Fiduciary Manager to work with investment managers who will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment. The Trustee notes that the Fiduciary Manager may invest in certain strategies where such engagement is not deemed appropriate or possible, due to the nature of the strategy and/or the investment time horizon underlying decision making. The Trustee expects that the appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

2.13 The Fiduciary Manager has a dedicated sustainable investment resource and a network of subject matter experts. The consideration of ESG issues is fully embedded in the investment manager selection and portfolio management process, with oversight undertaken on a periodic basis. The Trustee expects the Fiduciary Manager to assess the alignment of each investment manager's approach to sustainable investment (including engagement) with its own before making an investment on the Scheme's behalf. The Trustee expects the Fiduciary Manager to engage with the Scheme's investment managers where the Fiduciary Manager considers this appropriate regarding their approach to stewardship with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings. In addition, the Trustee expects the Fiduciary Manager to review the investment managers' approach to sustainable investment (including engagement) on a regular basis and engage with the investment managers to encourage further alignment as appropriate.

2.14 The Fiduciary Manager encourages and expects the Scheme's investment managers to sign up to local or other applicable stewardship codes, in-keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the Principles for Responsible Investment and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

2.15 The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to its investment managers. The Fiduciary Manager has appointed Hermes EOS to undertake public policy engagement on its behalf as well as company-level engagement and the provision of voting advice for the Scheme's equity investments.

2.16 The Trustee expects the Fiduciary Manager to consider the fee structures of investment managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the initial selection of an investment manager and on an ongoing basis. Ad valorem fees are used in the majority of cases as they do not incentivise excessive risk-taking by the investment manager, consistent with the nature of the investment manager's mandate. In certain mandates, for example, hedge funds, where manager skill is expected to be a significant driver of investment returns, some of the manager's fee may be linked to its performance to reward this skill where it improves investment returns. The Trustee expects the Fiduciary Manager to review and report on the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustee expects the Fiduciary Manager to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Global Custodian and Performance Measurer

2.17 The Scheme has also contracted with a global custodian, currently State Street Bank & Trust Company, whose responsibilities include:

- Registering the Scheme's investment holdings
- Providing independent transaction activity and valuation reporting on a monthly basis
- Providing performance measurement services.

Scheme Actuary

2.18 The Scheme Actuary's responsibilities include:

- Performing the triennial (or more frequently, as required) valuations of the Scheme and advising on the appropriate contribution levels for the future
- Liaising with the investment consultant on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.

Section 3: Scheme Objectives and long-term policy

Scheme objectives

3.1 The long-term investment objective of the Trustee is for the Scheme to be fully funded on a gilts basis by the year 2029

3.2 The Trustee will review this performance objective regularly and amend as appropriate.

Investment strategy

3.3 The Trustee has received advice to determine an appropriate investment strategy for the Scheme.

3.4 The Trustee's policy is to seek to achieve the objectives through investing in a suitable mixture of assets with appropriate liquidity, which will generate income and capital growth to meet, together with company contributions, the cost of current and future benefits, which the Scheme provides. The investment strategy makes use of three key types of investments:

- a range of instruments that provide a better match to changes in liability values;
- a portfolio of secure income assets; and
- a diversified range of return-seeking assets.

3.5 The balance within and between the Scheme's investments is determined from time-to-time at the discretion of the Fiduciary Manager, with the objective of maximising the probability of achieving the Scheme's investment objective set by the Trustee. The Trustee expects the Fiduciary Manager to consider a range of factors when determining the balance of the Scheme's investments including the Trustee's belief in diversification, the impact that each investment has on the overall liquidity of the Scheme's portfolio and the contribution of an investment to the portfolio's expected return and risk. In exercising investment discretion, the Fiduciary Manager is required to act in accordance with its obligations set out in the FMA, including the guidelines and any investment restrictions set out therein, and in so doing is expected to give effect so far as reasonably practicable to the principles contained in this SIP. This ensures appropriate incentivisation and alignment of decision-making with the Trustee's overall objectives, strategy and policies.

3.6 The Scheme holds assets in cash and other money market instruments from time to time as may be deemed appropriate.

3.7 The Trustee monitors the liability profile of the Scheme and will regularly review, in conjunction with the Fiduciary Manager and the Scheme Actuary, the appropriateness of its investment strategy.

3.8 The expected return of all the Scheme’s investments is monitored regularly and will be directly related to the Scheme’s investment objective.

3.9 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that, the realisation of assets will not disrupt the allocation of the Scheme's overall investments, where possible.

3.10 The Trustee recognises that an investment’s long-term financial success is influenced by a range of financially material factors including environmental, social and governance (“ESG”) issues.

3.11 The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Fiduciary Manager takes into account in the assessment.

3.12 Consequently, the Trustee (through the selection of the Fiduciary Manager with its approach to ESG issues seeks to be an active long-term investor. The Trustee’s focus, as outlined above. is explicitly on financially material factors. The Trustee’s policy at this time is not to take into account non-financial matters.

Section 4: AVCs

Additional Voluntary Contributions ('AVCs')

4.1 The Scheme enables members to pay AVCs to enhance their benefits at retirement. Members are offered a choice of with profit or managed funds with Standard Life. The AVC assets are completely separate from the assets of the Scheme.

Section 5: Other investment policies

The Trustee is also subject to other requirements relating to investments, be they legislative, or considered best practice.

Choosing investments

5.1 As referred to in paragraph 2.8 above, the Fiduciary Manager has appointed investment managers on the Trustee's behalf who are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Trustee receives investment advice from the Fiduciary Manager annually that the appointed investment managers remain suitable for the Scheme in the context of the requirements of Section 36 of the Pensions Act 1995 (as amended). Investment choice has been delegated to the managers subject to defined tolerances relative to their respective benchmarks.

Socially responsible investments

5.2 The Trustee has delegated responsibility for the selection, retention and realisation of investments to the underlying investment managers (within certain guidelines and restrictions). The Trustee's policy is that the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is determined by the active investment managers in accordance with the principles outlined in paragraphs 3.10 to 3.12 above.

Rights attaching to investments

5.3 As noted in paragraph 2.15 above, the Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) that relate to investments, to the investment managers.

Liquidity and realisation of investments

5.4 The Scheme's administrator (currently Equiniti) assesses the likely benefit outgo on a regular basis and ensures that sufficient cash reserves are available.

5.5 The Trustee's policy is that there should be sufficient secure investments in liquid or readily-realisable assets to meet cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Scheme's overall investment policy.

Section 6: Risk management

6.1 The Trustee recognises a number of risks involved in the investment of the assets of the Scheme:

- Solvency risk and mismatching risk
  - are measured through a qualitative and quantitative assessment of the expected development of the Scheme's funding level
  - are managed through assessing the progress of the actual growth of the assets relative to liabilities under current and alternative investment policies.
- Manager risk
  - is measured by the expected deviation of the return relative to the benchmark set
  - is managedby considering when to employ active versus passive management given propspective net of fee returns, consideration of the appropriate amount of the Scheme's assets to allocate to any active eportfolios and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the investment managers' investment process.
- Liquidity risk
  - is measured by the level of cashflow required by the Scheme over a specified period
  - is managed by the Scheme'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 assets of appropriate liquidity.
- Currency risk
  - is measured by the level of overseas investment and the translation effect of currencies leading to the risk of an adverse influence on investment values
  - is managed by the implementation of a currency hedging programme (carried out within some of the pooled investment vehicles) which reduces the impact of exchange movements on the Scheme's asset value.
- Custodial risk is addressed through investment in pooled vehicles, with the pooled fund managers being responsible for selection of suitable custodians In addition, State Street the Scheme's global custodian, is responsible for sweeping uninvested cash balances in to pooled cash funds, which will be managed by a pooled fund manager who, in-line with the Scheme's other pooled fund managers, is responsible for selecting the custodian for the cash funds.
- Interest rate and inflation risk:
  - are measured by comparing the likely movement in the Scheme's liabilities and assets due to movements in inflation and interest rates.
  - are managed by holding a portfolio of matching assets (physical bonds and/or derivatives via pooled vehicles) that enable the Scheme's assets to broadly match

movements in the value of the liabilities due to inflation and interest rates. The construction, ongoing management and consideration of risks (such as derivatives risk) of this portfolio is undertaken by the Fiduciary Manager.

- Political risk
  - is 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
  - is managed by the Fiduciary Manager conducting regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.
- Sponsor risk
  - is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit
  - is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by the number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the financial strength of the sponsor.

6.2 These measures do not render the investment policy 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.

6.3 The Trustee and the Fiduciary Manager continue to monitor these risks.

Signed for, and on behalf of the Trustee of the

Jacobs Engineering UK Limited Pension Scheme

By Leon Power

Date of issue: 30th September 2020