

The JLG Industries (Europe) Employee Benefits Plan (1985)

Statement of Investment Principles

1. **Background**

This Statement of Investment Principles (the **Statement**) sets down the principles governing decisions about investments for the JLG Industries (Europe) Employee Benefits Plan (1985) (the **Plan**) to meet the requirements of the Pensions Act 1995 (as amended by the Pensions Act 2004) (the **Act**) and the Occupational Pension Schemes (Investment) Regulations 2005.

This Statement has been prepared after obtaining written professional advice from Mercer, the Trustee's professional advisors, and after consultation with JLG Industries (United Kingdom) Limited (the **Sponsoring Employer**), as required by the Act.

Where matters described in this Statement may affect the Plan's funding policy, input has been obtained from the Plan's Actuary. The Trustees will review this Statement at least every three years, or as soon as practicable after any change in investment policy.

The Trustees' investment responsibilities are governed by the Plan's Trust Deed and relevant regulation of which this Statement takes full regard. The Trustees note that, according to the law, they have ultimate power and responsibility for the Plan's investment arrangements.

2. **Investment Policy**

The Trustees have adopted the following primary objective to help guide them in the strategic management of the assets and control of the various risks to which the Plan is exposed:

- The Trustees seek to invest the Plan's assets so as to maximise the likelihood:
 - that benefits will be paid to members as they fall due; and
 - of continued long-term financial support from the Sponsoring Employer.

To achieve these objectives, the Trustees consider the appropriateness of the Plan's investment strategy from time to time, with the latest such review having taken place

in June 2022. The Trustees intend to continue to review the Plan's investment strategy on a periodic basis, and at a minimum following each triennial Actuarial Valuation.

Legal & General Investment Management (**LGIM**) are the **Investment Manager** for the Plan. LGIM are regulated by the Financial Conduct Authority (**FCA**). As required by the Financial Services Act, the Trustees have entered into a signed investment policy and side letter agreement (the **Agreement**) with LGIM.

The Agreement provides important protection for the Plan itself and for the Trustees. It also sets out the terms on which the assets are managed, the investment brief, guidelines and restrictions under which the Investment Manager works. The Investment Manager has full discretion to buy and sell investments on behalf of the Plan, subject to the agreed constraints set out in the Agreement and applicable legislation.

The Plan invests solely across a range of the Investment Manager's in-house pooled funds, which when taken together comprise the Plan's investment portfolio. The Plan's assets are invested across a range of asset classes including global equities, diversified growth, buy and maintain credit and liability-driven investments (**LDI**).

Socially Responsible Investment & Corporate Governance

The Trustees believe that environmental, social, and corporate governance (**ESG**) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, including climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees take into account the expected time horizon of the Plan when considering how to integrate these issues into the investment decision making process.

The Trustees have given LGIM full discretion in evaluating ESG factors, including climate change considerations. Furthermore, the Trustees believe that responsible share ownership and seeking the best long-term value for investment in shares requires active exercise of voting rights. Where applicable, the Trustees expect LGIM, unless impracticable, to exercise all voting rights attaching to shares or securities and take account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. LGIM are authorised to exercise discretion to vote as they see fit, but in doing so reflect the best interests of the Plan and its beneficiaries.

Equity managers who are FCA registered are expected to report on their adherence to the UK Stewardship Code on an annual basis.

The strategic rationale of different asset classes that help the Trustees to achieve the Plan's investment objectives and constraints remains the primary driver behind the Plan's investment strategy. However, within this context, the Trustees consider how ESG, climate change and stewardship issues are integrated within investment

processes in appointing new investment managers and monitoring existing investment managers.

From time to time, the Trustees will obtain and consider reports on the activity of the Plan's investment managers in the area of social, environmental and ethical investment policy, and corporate governance. The Trustees will also consider how ESG, climate change and stewardship is integrated within investment processes in the event that new investment managers are appointed.

The Trustees do not explicitly consult members when making investment decisions but update members, typically annually, via newsletters on any changes to the Plan's investment arrangements. The Trustees also make available on request a copy of this Statement.

3. **Risk Measurement & Management**

There are various risks to which any pension scheme is exposed. The Trustees have considered many risks, including the following key risks:

- The risk of deterioration in the Plan's funding level which may arise through a mismatch between the Plan's assets and its liabilities. The risk assets held in the Plan are used to deliver returns in excess of liabilities with the objective of improving the funding position, whilst the matching assets are held to help mitigate funding level volatility by mirroring changes in the value placed on the liabilities.
- The Plan's matching assets are structured to target a hedge ratio equal to 90% of the interest rate and inflation sensitivities of the Plan's liabilities, as measured on a **de-risking basis** (calculated as a gilts flat basis with a further 3% loading to liability values to account for estimated future wind-up expenses).
- The risks which may arise from the lack of diversification of investments. The Trustees believe that the investment strategy in place provides an adequately diversified distribution of assets and that the Plan's investments contain an appropriate balance of assets.
- The risk that the Investment Manager fails to meet their investment performance target. This risk is managed by regularly monitoring the Investment Manager's performance.
- The risk that overseas assets are susceptible to currency volatility materially impacting the value of those assets. The assets held within the diversified growth fund and the global equity fund are invested outside the UK in order to gain access to diversification benefits. Currency risk arises as a natural consequence

of this decision and was taken into account by Trustees in the analysis of the benefits arising from diversification.

- The risk of holding assets that will be subject to default risk and market risk. These risks will be managed regularly by the Investment Manager who will monitor the positions and replace if appropriate.
- The risk of holding assets that cannot easily be sold should the need arise. This risk is managed by investing in pooled fund units which can be redeemed on regular (daily or weekly) dealing dates. The pooled funds invest assets across a wide range of securities that are predominantly quoted on appropriately regulated stock markets. The Trustees believe that under normal market conditions the manager will be able to meet all redemption requests from the assets of the fund.

The terms of the Agreement with LGIM include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan and so that the Investment Manager cannot make investments that could be considered to be speculative or “trading” by the Financial Services and Tax authorities.

4. **Buying & Selling Investments**

The Trustees have delegated the responsibility for buying and selling investments to LGIM. The day to day activities which LGIM carries out are governed by the Agreement between the Trustees and LGIM, which is reviewed from time to time to ensure that the operating instructions, guidelines and restrictions remain appropriate.

5. **Engagement with the Investment Manager**

The policy in relation to the Trustees’ arrangements with LGIM is set out below.

INCENTIVISING THE INVESTMENT MANAGER TO ALIGN ITS INVESTMENT STRATEGY AND DECISIONS WITH THE TRUSTEE POLICIES:

LGIM are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required from the various asset classes in which the Plan invests.

The Trustees look to their investment consultant for a forward-looking assessment of a manager’s ability to achieve the expected return and risk characteristics required for the relevant asset class. This view is based on the consultant’s assessment of the manager’s idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund in which the Plan invests. The consultant’s manager research ratings assist with due diligence and questioning managers during presentations to the Trustees and are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective of a particular fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

The Trustees receive investment manager performance reports on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and since inception. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis over a full market cycle. The Trustees' focus is on long term performance but may put a manager 'on watch' if there are short term performance concerns.

The Plan's investment mandates with LGIM are reviewed regularly at Trustee meetings. The Trustees review the appropriateness of using actively and passively managed funds (at an asset class level) from time to time.

As the Trustees invest in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the Trustees' overall investment objectives.

- A. Incentivising the Investment Manager to make decisions based on assessments about medium to long-term financial and non-financial performance of a holding company, and to engage with holding companies in order to improve their performance in the medium to long-term:

The Trustees consider the investment consultant's assessment of how LGIM embed ESG into their investment process and how LGIM's responsible investment philosophy aligns with that of the Trustees. This includes LGIM's policy on voting and engagement.

The Trustees meet with LGIM periodically at Trustee meetings as required, and may challenge decisions made including voting history and engagement activity.

The Trustees delegate all voting and engagement activities to the Investment Manager. When required the Trustees will question managers' voting decisions if they deem them out of line with the investment fund's objectives or the objectives / policies of the scheme.

LGIM are aware that their continued appointment is based on their success in delivering the mandate which they have been appointed to manage. If the Trustees are dissatisfied, then they may look to replace LGIM as the Investment Manager.

- B. Aligning the evaluation of the Investment Manager's performance and the remuneration for asset management services with the Trustees' policies:

The Trustees receive investment performance reports on a 6 monthly basis, which present performance information relating to the Plan's investment over periods of 6 months, 1 year, 3 years and since inception. The Trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against LGIM's stated tracking error targets (over the relevant time period).

If LGIM are not meeting their investment objectives or their requirements for the mandate have changed, the Trustees may review the mandate and review the annual management charge levied by LGIM. The Trustees may also review the mandate should LGIM breach any investment guidelines.

C. Monitoring portfolio turnover costs incurred by the Investment Manager:

The Trustees receive MiFID II reporting from LGIM but do not analyse this information in detail.

The Trustees do not currently monitor portfolio turnover costs but may look to do so in the future; rather the Trustees assess investment performance net of the impact of the costs of such activities. The Trustees are however able to ask investment managers to include portfolio turnover and turnover costs in their presentations and reports.

D. The duration of the arrangement with the Investment Manager:

The Trustees are long term investors and are not looking to change the Plan's investment arrangements on a frequent basis.

The funds in which the Plan invests are open-ended funds and there is therefore no set duration for manager appointments. The Trustees will look to retain LGIM as the Investment Manager for the Plan's overall portfolio unless:

- There is a strategic change to the overall strategy that no longer requires exposure to a particular asset class or to LGIM;
- The appointment has been reviewed and the trustees have decided to terminate.

6. **Compliance with this Statement**

The Trustees of the Plan, LGIM and Mercer (the investment consultant to the Plan) each have duties to perform to ensure compliance with this Statement. These are as follows:

The **Trustees** will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, finances and the attitude to risk of the Trustees and the Sponsoring Employer which they judge to have a bearing on the stated Investment Policy.

This review should occur no less frequently than every three years to coincide with the triennial Actuarial Valuation. Any such review will again be based on written, expert investment advice and will be in consultation with the Sponsoring Employer.

LGIM will prepare reports from time to time to the Trustees including:

- valuation of all investments held on behalf of the Plan;
- records of all transactions together with a cash reconciliation; and

- review of recent actions undertaken on behalf of the Plan, together with a summary of their current stated policy.

LGIM will exercise their discretionary powers of investment in accordance with applicable legislation and give effect to the principles in the Statement so far as reasonably practicable. The Trustees have undertaken to advise the Investment Manager of any material change to this Statement.

.....
The Trustees of the JLG Industries (Europe) Employee Benefits Plan (1985)

Date of Amendments

First Amendment: March 2003
 Second Amendment: October 2006
 Third Amendment: November 2008
 Fourth Amendment: June 2011
 Fifth Amendment: September 2016
 Sixth Amendment: June 2018
 Seventh Amendment: September 2018
 Eighth Amendment: September 2019
 Ninth Amendment: September 2020
 Tenth Amendment: September 2021
 Eleventh Amendment: September 2022
 Twelfth Amendment: November 2022

Appendix – Investment Manager Arrangements

1 – Plan Benchmarks

Asset Class	Benchmark Index	Benchmark Allocation	Performance Target*
Diversified Growth	Bank of England Base Rate	10.0%	Base Rate + 4.5% p.a.
Buy & Maintain Credit	N/A**	20.0%	N/A**
Liability Hedging Portfolio	Bespoke Benchmark***	70.0%	N/A***
Total	Composite	100.0%	-

* Performance targets are quoted in excess of the benchmark performance per annum and are examined over rolling three year periods (gross of fees).

** Fund officially has no benchmark, for performance measurement purposes the Fund will be measured against the iBoxx Sterling Non-Gilt Index.

*** The portfolio seeks to match a proportion of the sensitivities of the liabilities to interest rates and inflation. As such, the composition of the underlying funds aims to match 90% of the interest rate and inflation changes in the liabilities measured on the de-risking basis.

Rebalancing within the portfolio will be carried out by LGIM in line with the policy set out in the Agreement (i.e. on a weekly basis). LGIM will also invest or disinvest any cashflows provided or required by the Plan's administrator in order to maintain the Plan's asset mix in line with the target benchmark allocations set out above.

Furthermore, LGIM will target a 90% interest rate and inflation hedge ratio (on a gilts flat liability basis with an additional 3% loading to account for estimated future wind-up expenses – known as the **de-risking basis**) taking account of both the Buy & Maintain Credit Fund and Liability Hedging Portfolio. LGIM will look to make changes to the Liability Hedging Portfolio should either the interest rate or inflation hedge ratio move out with 5% of the target hedge ratio.

2 – Performance Targets

The performance objective of the Plan will be the weighted average of the target performance of the underlying funds.