XPS Investment

Statement of Investment Principles

DH UK Pension Scheme

February 2024

Contents

01 Introduction

Scheme background

On 1 February 2021 the formerly named Pall (UK) Pension Fund, Leica Pension Scheme, The Jacobs Manufacturing Company Limited Retirement Benefits Scheme, Beckman Coulter Pension Plan and Willett International Limited Pension and Death Benefits Plan merged to create two Sections within the DH UK Pension Scheme ("the Scheme").

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and provides benefits calculated on a defined benefit (DB) basis. The Scheme is closed to new entrants and future accrual.

On 31 March 2024, the Scheme was de-sectionalised and this Statement of Investment Principles ("SIP") does not reflect this. There have been no changes to the target investment strategy as a result of the de-sectionalisation and the Trustee will update the SIP to reflect the de-sectionalisation when the investment strategy is next reviewed or altered.

Purpose

The SIP is required under Section 35 of the Pensions Act 1995 ("the Act") for the DH UK Pension Scheme ("the Scheme") and describes the investment policy being pursued by the Trustee of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

Regulatory requirements and considerations

Under the Act and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations'), the Trustee must secure that a written statement of the principles governing investment decisions is prepared and maintained for the Scheme.

This SIP also reflects the Myners principles for institutional investment decision-making, which require trustee boards to act in a transparent and responsible manner.

The Trustee is responsible for all aspects of the operation of the Scheme including this SIP.

In agreeing its investment strategy, the Trustee has had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustee will consider those requirements on any review of this SIP or any change in the investment policy.

- The requirement of the Investment Regulations: in particular that assets held to cover the Scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

In respect of the additional voluntary contribution (AVC) arrangements provided on a money-purchase basis, the Trustee has taken into account the requirements and recommendations within the Pensions Regulator's code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits and regulatory guidance. Information on the Trustee's approach to investment matters within the AVC arrangements is included within this SIP.

Responsibilities and appointments

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustee draws on the expertise of external persons and organisations including the Investment Consultant, Investment Managers and the Scheme Actuary. Full details are set out in this SIP.

Introduction continued

Advice and consultation

Before preparing this Statement, the Trustee has sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustee has also consulted the Employer. The Trustee will consult the Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Scheme's Trust Deed and Rules set out the investment powers of the Trustee. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustee's investment powers by requiring the consent of the Principal Employer. In accordance with the Financial Services and Markets Act 2000, the Trustee set general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers. These responsibilities are governed by contractual documentation agreed with the respective Investment Managers.

Review of the Statement

The Trustee will review this Statement and its investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustee will also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances and attitude to risk of either the Trustee or Principal Employer which it judges to have a bearing on the stated investment policy.

The Trustee will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

Definitions

Capitalised terms in this document mean the following:

Act – The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004);

AVCs – Additional Voluntary Contributions;

Investment Manager – An organisation appointed by the Trustee to manage investments on behalf of the Scheme;

Employer – Pall Manufacturing UK Limited, as Principal Employer to the Scheme;

Recovery Plan – The agreement between the Trustee and the Employer to address the funding deficit;

Scheme – The DH UK Pension Scheme;

Statement – This document, including any appendices, which is the Trustee's Statement of Investment Principles;

Technical Provisions – The amount required, on an actuarial calculation, to make provision for the Scheme's liabilities;

Trust Deed and Rules – The Scheme's Trust Deed and Rules, as subsequently amended;

Trustee – The collective entity responsible for the investment of the Scheme's assets and managing the administration of the Scheme;

Value at Risk – A technique which uses historical correlations of asset class returns and volatilities to estimate the likely worst-case scenario loss for a given portfolio of assets.

02 **Strategic investment policy and objectives**

Investment governance structure

All investment decisions are taken by the Trustee Board as a whole. The Trustee believes that collective responsibility is the appropriate structure, given the size of the board. The Trustee Board is supported in its decision making by an Investment Sub Committee which considers investment issues and provides recommendations to the Trustee, operating under Terms of Reference issued by the Trustee.

The Trustee will undertake training where appropriate to ensure it has the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Scheme are under the control of the Trustee Board without constraint by the Sponsoring Employer. The Trustee will consult with the Sponsoring Employer when changing this SIP.

All day-to-day investment decisions are delegated to properly qualified and authorised Investment Managers of pension scheme portfolios. Investment management agreements and/or an insurance contract have been exchanged with the Investment Managers and are reviewed from time-to-time to ensure that the manner in which they make investments on behalf of the Trustee Board is suitable for the Scheme, and appropriately diversified.

Historically one of the constituent schemes utilised a fiduciary management governance structure under which certain investment decisions were delegated to professional third parties. As part of a wider review of the investment strategy and governance options for the Scheme, the Trustee terminated the fiduciary management arrangement moving to the investment advisory arrangement.

Where matters described in this Statement may affect the Scheme's funding policy, input is also obtained from the Scheme Actuary.

Investment strategy and objectives

The Scheme's investment strategy is set and agreed by the Trustee having taken advice from its Investment Consultant. A specific investment strategy is set for each Section of the Scheme in relation to the suitability of investments and the need for diversification and takes due account of each Section's liability profile along with the level of disclosed surplus or deficit.

For each Section the agreed investment strategy is based on the required investment return and the returns expected from the various asset classes over the long-term. Long-term returns from multi asset funds are expected to exceed the returns from bonds and cash, although returns and capital values may demonstrate higher volatility. The Trustee is prepared to accept this higher volatility in order to aim to achieve the overall investment objectives.

The Trustee's primary objectives are:

- To provide appropriate security for all beneficiaries
- To achieve long-term growth sufficient to provide the benefits from the Scheme.
- To achieve an appropriate balance between risk and return with regards to the cost of the Scheme and the security of the benefits.
- To mitigate interest rate and inflation risk to protect the funding position.

Additional objectives are as follows:

- To achieve a return on the total Scheme assets which is compatible with the level of risk considered appropriate.
- To maintain a diversified portfolio of secure assets of appropriate liquidity.

For each Section the objectives above will be translated into a suitable strategic asset allocation benchmark.

Strategic investment policy and objectives continued

In accordance with the Financial Services & Markets Act 2000, the Trustee is responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to Investment Managers authorised under the Act.

The Trustee is responsible for reviewing both the Scheme's asset allocation and investment strategy as part of each actuarial valuation in consultation with the Scheme's Investment Consultant. The Trustee may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

The Trustee's policy in relation to the kinds of investments to be held

The Trustee has full regard to its investment powers as set out in the Trust Deed and Rules. The Scheme may invest in quoted and unquoted securities of UK and overseas markets including, but not limited to the following:

- Equities
- Fixed interest and index-linked bonds
- Cash
- Property
- Private equity
- Hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes.

The Trustee considers the attributes of the various asset classes (including derivative instruments), these attributes being:

- Security (or quality) of the investment.
- Yield (expected long-term return).
- Spread (or volatility) of returns.
- Term (or duration) of the investment.
- Exchange rate risk.
- Marketability/liquidity (i.e. the tradability on regulated markets).
- Taxation.

The Trustee considers all of the stated classes of investment to be suitable to the circumstances of the Scheme. The Scheme invests primarily in pooled funds, other collective investment vehicles and cash. The Trustee has made the decision to invest the assets primarily in pooled funds because:

- The Scheme is not large enough to justify direct investment on a cost-effective basis.
- Pooled funds allow the Trustee to invest in a wider range of assets, which serves to reduce risk.
- Pooled funds provide a more liquid form of investment than certain types of direct investment.

Strategic investment policy and objectives continued

The Trustee's policy in relation to the balance between different kinds of investments

The appointed Investment Managers will hold a diversified mix of investments in line with any agreed benchmark and it is within their discretion to diverge from the benchmark. Within each major market each manager will maintain a diversified portfolio of securities.

The Trustee's policy in relation to the expected return on investments

The expected return from the investment strategy is consistent with meeting the Scheme's long-term objective of seeking to secure member benefits with an insurer over a reasonable timeframe.

The Trustee's policy in relation to the realisation of investments

In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustee requires the Investment Managers to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme. The majority of the assets are not expected to take an undue time to liquidate.

The Trustee's policy in relation to financially material considerations

The Trustee expects its Investment Managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustee reviews, from time to time, the Investment Managers' policies in respect of financially material considerations.

The Trustee's policy in relation to the extent to which non-financial matters are taken into account

The Trustee's objective is that the financial interests of the Scheme members is its first priority when choosing investments. The Trustee will take members' preferences into account if they consider it appropriate to do so. Non-financial matters may be taken into account if the Trustee has good reason to think that the members would share the concern; and that the decision does not involve a risk of significant detriment to members' financial interests.

03 Risk capacity and risk appetite

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. The Trustee measures and manages these risks as follows:

Solvency risk and mismatching risk – The risk that the assets do not respond to market changes in the same way as the liabilities, resulting in volatility in the funding position, is addressed through the strategic asset allocation and through ongoing triennial actuarial valuations. In setting the investment strategy, the Trustee will consider (for example) the Value at Risk.

Strategy risk – The risk that the Investment Managers' asset allocation deviates from the Trustee's investment policy is addressed through regular review of the asset allocation. In reviewing the investment strategy on a periodic basis, the Trustee will consider the current economic factors affecting the asset classes in which they have invested and the short to medium term outlook for performance by reference to e.g. current and historic yields, GDP growth forecasts and other relevant factors. The Trustee will also consider how far the actual asset allocation has drifted from the strategic asset allocation and take action to rebalance if necessary.

Liquidity risk – The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustee cannot exit a particular investment is addressed through the process by which the administrator estimates the benefit outgo and ensures that sufficient cash balances are available, and through the Trustee's policy on realisation of assets (see below). Further the Trustee has invested in assets which are expected to deliver and distribute income to meet the needs of the Scheme over the period prior to anticipating purchasing annuities to cover members' benefits.

Inappropriate investments – The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustee is addressed through the Trustee's policy on the range of assets in which the Scheme can invest (see section 2).

Counterparty risk – The risk that a third party fails to deliver cash or other assets owed to the Scheme is addressed through the Investment Managers' guidelines with respect to cash and counterparty management.

Political risk – The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

Custodian risk – The risk that the custodian fails to provide the services expected is addressed through the agreement with the third-party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Managers.

Manager risk – The risk that an Investment Manager fails to meet their stated objective is addressed through the performance objectives set out in Appendix II and through the monitoring of the Investment Managers as set out in section 5. In monitoring the performance of the Investment Managers, the Trustee measures the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustee will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken. For example:

- for equities, the Trustee will consider the spread of assets across various geographic and industry sectors, the concentration of investments in individual stocks and the active positions taken by the Investment Managers;
- for real estate secondary assets and property, the Trustee will consider the spread of assets across various geographic sectors, vintage years and property types. The Trustee will also review how each fund operates within its own defined risk controls and limits;
- for multi asset credit funds, the Trustee will consider the type and quality of the underlying assets and the volatility of each fund both in absolute terms and in comparison to the volatility of traditional credit markets;
- for multi-asset funds such as diversified growth funds (DGFs) and private markets, the Trustee will consider the weightings within each fund to different asset classes;
- for liability driven investment (LDI) funds, the Trustee will review risk through the type of instruments held and the risks associated with these investments.

Risk capacity and risk appetite continued

Fraud/Dishonesty – The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Currency risk – The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

The Trustee's policy in relation to risks

The Trustee considers the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. The Trustee has assessed the likelihood of undesirable financial outcomes arising in the future.

Investment policies are set with the aim of having sufficient and appropriate assets to cover the Scheme's Technical Provisions and to meet the longer-term objective.

In determining its investment strategy, the Trustee received advice from the Investment Consultant as to the likely range of funding levels for strategies with differing levels of investment risk relative to the Scheme's liability profile. The strategy adopted takes this into account, along with the expected returns underlying the most recent actuarial valuation.

Although the Trustee acknowledges that the main risk is that the Scheme will have insufficient assets to meet its liabilities, the Trustee recognises other contributory risks, including the following:

- Risk associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- The Scheme having insufficient liquid assets to meet its immediate liabilities.
- The Investment Managers failing to achieve the required rate of return.
- Risk arising due to the lack of diversification of investments.
- Risk of failure of the Scheme's Employer to meet its obligations.

The Trustee manages and measures these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

The Trustee undertakes monitoring of the Investment Managers' performance against targets and objectives on a regular basis.

Each fund in which the Trustee invests has a stated performance objective against which investment performance will be measured. Within each asset class, the Investment Managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the Trustee. Any deviation from the target asset allocation will be discussed periodically with the Investment Consultant.

04 **Stewardship in relation to the Scheme's assets**

The Trustee has a fiduciary duty to consider its approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through its Investment Managers.

The Trustee's policy in relation to engagement and monitoring (including peer-to-peer engagement)

The Trustee's policy is to delegate responsibility for engaging and monitoring investee companies to the Investment Managers and they expect the Investment Managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustee does not envisage being directly involved with peer-to-peer engagement in investee companies.

The Trustee's policy in relation to voting rights

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the Investment Managers and to encourage the managers to exercise those rights. The Investment Managers are expected to provide regular reports for the Trustee detailing their voting activity.

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustee may periodically meet with their investment managers to discuss engagement which has taken place. The Trustee will also expect their investment adviser to engage with the managers from time to time as needed and report back to the Trustee on the stewardship credentials of their managers.

The Trustee will then discuss the findings with the investment adviser, in the context of their own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognise the Code as an indication of a manager's compliance with best practice stewardship standards.

The Trustee requires the Investment Managers to report on significant votes made on behalf of the Trustee.

The Trustee will engage with the Investment Managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

Investment management monitoring

The Trustee will assess the performance, processes and cost effectiveness of the Investment Managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the Investment Consultant.

All investment decisions, and the overall performance of the Investment Managers, are monitored by the Trustee with the assistance of the Investment Consultant.

The Investment Managers will provide the Trustee with quarterly statements of the assets held along with a quarterly performance report. The Investment Managers will also report orally on request to the Trustee.

The Investment Managers will inform the Trustee of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

The Trustee will assess the quality of the performance and processes of the Investment Managers by means of a review at least once every three years in consultation with the Investment Consultant.

Appropriate written advice will be taken from the Investment Consultant before the review, appointment or removal of the Investment Managers.

The Trustee's policy in relation to its Investment Managers

In detailing below the policies on the Investment Manager arrangements, the over-riding approach of the Trustee is to select Investment Managers that meet the primary objectives of the Trustee. As part of the selection process and the ongoing review of the Investment Managers, the Trustee considers how well each Investment Manager meets the Trustee's policies and provides value for money over a suitable timeframe.

Stewardship in relation to the Scheme's assets continued

How the arrangement incentivises the Investment Managers to align their investment strategy and decisions with the trustee's policies

The Trustee has delegated the day-to-day management of the Scheme's assets to Investment Managers. The Scheme's assets are invested in pooled funds as well as a number of directly held policies – e.g. insurance linked securities. All mandates have their own policies and objectives and charge a fee, agreed with the Investment Manager, for their services. Such fees incentivise the Investment Managers to adhere to their stated policies and objectives.

How the arrangement incentivises the Investment Manager to engage and take into account financial and non-financial matters over the medium to long-term

The Trustee, in conjunction with its Investment Consultant, appoints its Investment Managers and chooses the specific pooled funds or segregated mandates to use in order to meet specific Scheme policies. The Trustee expects that its Investment Managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon. The Trustee also expects its Investment Managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

How the method (and time horizon) of the evaluation of the Investment Managers' performance and the remuneration for asset management services are in line with the trustee's investment policies

The Trustee expects its Investment Managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustee reviews Investment Managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance. If the Trustee determines that the Investment Manager is no longer managing the assets in line with the Trustee's policies, it will make its concerns known to the Investment Manager and may ultimately disinvest.

The Trustee pays its Investment Managers a management fee which is a fixed percentage of assets under management. Prior to agreeing a fee structure, the Trustee, in conjunction with its Investment Consultant, considers the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the Investment Manager.

How the trustee monitors portfolio turnover costs incurred by the Investment Manager, and how it defines and monitors targeted portfolio turnover or turnover range

The Trustee will review investment turnover costs incurred by the Scheme on an annual basis. The Trustee expects turnover costs of the Investment Managers to be in line with their peers, taking into account the style adopted by the Investment Manager, the asset class invested in and prevailing market conditions.

The Trustee does not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee believes that the Investment Managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

The duration of arrangements with Investment Managers

The Trustee does not in general enter into fixed long-term agreements with its Investment Managers and instead retains the ability to change Investment Manager should the performance and processes of the Investment Manager deviate from the Trustee's policies. However, the Trustee expects its manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

Stewardship in relation to the Scheme's assets continued

Employer-related investments

The Trustee will not make direct investments in the Sponsoring Employer's own securities. The amount of the Sponsoring Employer's securities, owned by pooled investment vehicles invested in, is monitored. The Trustee has delegated the responsibility for the exercising of any voting rights attached to any Employer investment held to the Investment Managers.

05 Investment Manager Arrangements and fee structure

Delegation to Investment Manager(s)

In accordance with the Act, the Trustee has appointed one or more Investment Managers and delegated to them the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Scheme.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

Performance objectives

The individual benchmarks and objectives against which each investment mandate is assessed are given in the Appendix.

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with its responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustee's investment policies. The Trustee receives quarterly performance monitoring reports from the Investment Consultant which consider performance over the quarter, one and three year periods. In addition, any significant changes relating to the criteria below that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee meetings as requested.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Investment Manager Arrangements and fee structure continued

Selection / Deselection Criteria

The criteria by which the Trustee will select (or deselect) the Investment Managers include:

- Parent – Ownership of the business;
- People – Leadership/team managing the strategy and client service;
- Product – Key features of the investment and the role it performs in a portfolio;
- Process – Philosophy and approach to selecting underlying investments including operational risk management and systems;
- Positioning – Current and historical asset allocation of the fund;
- Performance – Past performance and track record;
- Pricing – The underlying cost structure of the strategy;
- ESG – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- The Investment Manager fails to meet its performance objective;
- The Trustee believes that the Investment Manager is not capable of achieving the performance objectives in the future;
- The Investment Manager fails to comply with this Statement.

Investment Managers' fee structure

The Investment Managers are remunerated by receiving a percentage of the Scheme's assets under management. It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustee.

Portfolio turnover

The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

Investment Consultant's fee structure

The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustee in undertaking its responsibilities.

06 Additional Voluntary Contribution arrangements

Additional voluntary contributions (AVCs)

The Trustee has full discretion as to the appropriate investment vehicles made available to members of the Scheme for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustee, having taken appropriate written advice from its investment advisers.

Assets in respect of members' additional voluntary contributions (AVCs) are held either within the Scheme assets for certain sections of the membership or with the following external AVC providers; The Royal London Mutual Insurance Society, Phoenix Life Limited, Scottish Widows Investment Partners and Standard Life.

In selecting these providers, the Trustee has taken advice from its professional advisers on:

The risks faced by members in investing on a money purchase basis.

The Trustee's responsibilities in the selection and monitoring of the investment options offered.

The Trustee will continue to manage the AVC arrangements having taken professional advice on these matters.

The Trustee will monitor the performance of AVC providers periodically.

Members are directed to seek independent financial advice when considering their AVC arrangements.

Review process

The appointment of the AVC providers and the choice of AVC funds offered to members will be reviewed by the Trustee in accordance with its responsibilities, based on the result of the monitoring of performance and process. The Trustee will review the appointment of the AVC providers periodically in the light of their performance.

Where possible, performance of the AVC providers will be measured relative to the individual benchmarks and objectives for the funds offered and/or to other providers offering similar fund options as measured in industry AVC surveys.

07 Compliance Statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the Trustee of a pension scheme, it must have consulted with the Principal Employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustee that they have the appropriate knowledge and experience to give the advice required by the Act.

Signatures

On behalf of XPS Investment Limited: Duncan Maloney - Senior Investment Consultant

Trustee's declaration

The Trustee confirms that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustee acknowledges that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

On behalf of the Trustee: Andrew Firbank - PAN Trustees

Appendix I

Investment Strategy & Structure – Beckman Willet Section

Overall strategy

The Beckman Willet Section follows an investment strategy with the overall strategic benchmark as set out below:

Asset Class	Allocation (%)
Return Seeking Assets Diversified Growth	**10%** 10%
Credit Assets Bonds	**55%** 55%
LDI LDI	**35%** 35%
Total	**100%**

Funds, benchmarks and objectives

Asset Class	Benchmark Index	Objective (gross of fees)	Fees (AMC)
LGIM Dynamic Diversified Fund	BoE Base Rate +4.5% p.a.	To deliver returns +4.5% over the Bank of England Base Rate p.a, over a full market cycle	0.380% per annum
LGIM Maturing Buy & Maintain Funds	No benchmark	To provide credit risk exposure through investing in a globally diversified portfolio of non-government bonds.	0.120%
LGIM Buy & Maintain Credit Fund	No benchmark	To provide credit risk exposure predominantly through investment grade credit.	0.120%
LGIM AAA-AA-A Corporate Bond – Over 15 Year Index Fund	Markit iBoxx £ Non-Gilts (ex-BBB) > 15 Yr Index	To track the benchmark to within +/- 0.5% p.a. for two years out of three.	0.150% on first £5m; 0.125% on next £5m; 0.100% on next £20m; 0.080% thereafter
LGIM Leveraged Gilt Funds	No benchmark	No explicit outperformance objective. Fund aims to provide leveraged exposure to Treasury Gilts	0.180% on first £7.5m; 0.150% on next £20m; 0.130% thereafter
LGIM Leveraged Index-Linked Gilt Funds	No Benchmark	No explicit outperformance objective. Fund aims to provide leveraged exposure to Index-Linked Treasury Gilts	0.180% on first £7.5m; 0.150% on next £20m; 0.130% thereafter

Liability matching assets

The Beckman Willet Section invests in LDI funds to provide risk reduction via hedging against the Section's interest rate and inflation sensitivities. The strategy is designed to achieve a target liability hedging ratio of c.100% of the interest rate and inflation risk (as a proportion of the Scheme's total liabilities) on the Technical Provisions basis (single equivalent discount rate of gilts + 0.59%). For the BW Section, the Technical Provisions discount rate is gilts + 2.5% p.a. until 31 March 2028, then gilts + 0% p.a. thereafter, this has been equated to a single equivalent discount rate of gilts + 0.59%. The LDI mandate includes an allocation to unleveraged gilts, leveraged gilts and swaps in order to provide the requisite level of hedging.

The leveraged nature of some of these funds means that there is an expectation that additional collateral will be required to be paid into these funds from time to time (and any excess collateral repaid to the Trustee). Where any additional collateral payments are required, it is the Trustee's intention that these will be met through disinvestments from the Section's return seeking assets or cash.

In addition, the Scheme invests in credit assets which contribute to the Scheme's approach to interest rate hedging as well as providing access to return potential in excess of the return available on government bonds.

The LDI Portfolio is managed by LGIM under the Enhanced Service Agreement. The fees charged by LGIM for the ESA is 0.03% p.a.

Return Seeking assets

In order to achieve the required rate of investment return with a lower level of expected volatility, the Trustee has decided to invest in a diversified growth fund. The Trustee has decided to invest in this asset class in order to provide additional diversification and/or return. Multi asset funds (which include diversified growth funds) are expected to provide a long term return similar to equities but with a lower degree of volatility.

Rebalancing and cashflow

The Trustee reviews the asset allocation on a periodic basis to ensure that the Section's assets are allocated in a manner that is consistent with the objectives as detailed in this Statement.

The Trustee will periodically review the Section's position against the strategic asset allocation and take action to rebalance if considered appropriate.

The Section is expected to receive income from the LGIM Buy & Maintain Funds they are invested in.

The Trustee has delegated the rebalancing of the LDI assets to LGIM. Through the use of the LGIM Enhanced Service, the matching assets will be rebalanced back to the cashflow benchmark to target 100% hedging on the Technical Provisions discount rate.

Appendix II

Investment Strategy & Structure – Pall Leica Jacobs Section

Overall strategy

The Pall Leica Jacobs Section follows an investment strategy with the overall strategic benchmark as set out below:

Asset Class	Allocation (%)
Return Seeking Assets Diversified Growth	**10%** 10%
Credit Assets Bonds	**55%** 55%
Matching Assets LDI	**35%** 35%
Total	**100%**

Funds, benchmarks and objectives

Asset Class	Benchmark Index	Objective (gross of fees)	Fees (AMC)
LGIM Leveraged Gilt Funds	No benchmark	No explicit outperformance objective. Fund aims to provide leveraged exposure to Treasury Gilts	0.180% on first £7.5m; 0.150% on next £20m; 0.130% thereafter
LGIM Leveraged Index-Linked Gilt Funds	No benchmark	No explicit outperformance objective. Funds aims to provide leveraged exposure to Index-Linked Treasury Gilts	0.180% on first £7.5m; 0.150% on next £20m; 0.130% thereafter
LGIM Dynamic Diversified Fund	BoE Base Rate +4.5% p.a.	To deliver returns +4.5% over the Bank of England Base Rate p.a, over a full market cycle	0.380% per annum
LGIM Maturing Buy & Maintain Funds	No benchmark	To provide credit risk exposure through investing in a globally diversified portfolio of non-government bonds.	0.120%
LGIM Buy & Maintain Credit Fund	No benchmark	To provide credit risk exposure predominantly through investment grade credit.	0.120%
LGIM AAA-AA-A Corporate Bond – Over 15 Year Index Fund	Markit iBoxx £ Non-Gilts (ex-BBB) > 15 Yr Index	To track the benchmark to within +/- 0.5% p.a. for two years out of three.	0.150% on first £5m; 0.125% on next £5m; 0.100% on next £20m; 0.080% thereafter

In addition to the above holdings the Scheme has three small legacy asset holdings directly held as a result of the unwinding of a fiduciary management arrangement previously held with Aon. This includes insurance linked security assets with Leadenhall and Securis. The Scheme also has an allocation to the BlackRock UK Property Fund which the Scheme expects to receive the remaining proceeds from in October 2023.

Liability matching assets

The Pall Leica Jacobs Section invests in LDI funds to provide risk reduction via hedging against the Section's interest rate and inflation sensitivities. The strategy is designed to achieve a target liability hedging ratio of c.100% of the interest rate and inflation risk (as a proportion of the Scheme's total liabilities) on the Technical Provisions basis. For the PLJ Section, the

Technical Provisions discount rate is gilts + 1.5% p.a. until 31 March 2028, then gilts + 0% p.a. thereafter, this has been equated to a single equivalent discount rate of gilts + 0.37%. The LDI mandate includes an allocation to unleveraged gilts, leveraged gilts and swaps in order to provide the requisite level of hedging.

The leveraged nature of some of these funds means that there is an expectation that additional collateral will be required to be paid into these funds from time to time (and any excess collateral repaid to the Trustee). Where any additional collateral payments are required, it is the Trustee's intention that these will be met through disinvestments from the Section's return seeking assets or cash.

In addition, the Scheme invests in credit assets which contribute to the Scheme's approach to interest rate hedging as well as providing access to return potential in excess of the return available on government bonds.

The LDI Portfolio is managed by LGIM under the Enhanced Service Agreement (light version). The fees charged by LGIM for the ESA is 0.015% p.a. Subject to a minimum fee of £15,000 p.a.

Return-seeking assets

In order to achieve the required rate of investment return with a lower level of expected volatility, the Trustee has decided to invest in a diversified growth fund. The Trustee has decided to invest in this asset class in order to provide additional diversification and/or return. Multi asset funds (which include diversified growth funds) are expected to provide a long term return similar to equities but with a lower degree of volatility.

Rebalancing and cashflow

The Trustee reviews the asset allocation on a periodic basis to ensure that the section's assets are allocated in a manner that is consistent with the objectives as detailed in this Statement.

The Trustee will periodically review the Section's position against the strategic asset allocation and take action to rebalance if considered appropriate.

The Section is expected to receive income from the LGIM Buy & Maintain Funds that are invested in as part of the updated strategy.

The Trustee has delegated the rebalancing of the LDI assets to LGIM. Through the use of the LGIM Enhanced Service, the matching assets will be rebalanced back to the cashflow benchmark to target 100% hedging on the Technical Provisions discount rate.

Contact us

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