

The Oxoid Pension Scheme (“the Scheme”)

Statement of Investment Principles

The following document outlines the Scheme’s Statement of Investment Principles (“SIP”), which sets out the Scheme’s objectives, the Scheme’s investment strategy, the Trustee’s approach to risk management, issues concerning implementation of the strategy and the policy on governance.

The appendices to this statement contain further detail on the investment strategy, and may be updated from time to time without updating this statement.

The Trustee has consulted with the sponsoring employer, prior to writing this Statement and will take the employer’s comments into account when it believes it is appropriate to do so.

The principles outlined in this section of the Statement of Investment Principles became effective following the delegation of certain decision making powers by the Trustee to Aon Investments Limited (“AIL”). The Trustee has taken advice from Aon Solutions UK Limited (“Aon”) regarding the suitability of AIL in this capacity.

OBJECTIVES

The long term goal is to build sufficient assets to be in a position to purchase insurance contract(s) to buy-in or buy-out the full liabilities of the Scheme, within a reasonable time frame.

The funding objectives of the Scheme are:

- To be at least fully funded on a technical provisions basis; and
- To be fully funded on a self-sufficiency basis.

The Scheme's investment objective is for the assets of the Scheme to generate sufficient return to meet the funding objectives, whilst minimising the risks to the extent possible.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

STRATEGY

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustee's objectives. The Scheme's investment strategy targets a return in excess of Gilts. The initial target return is expected to be in the region of 1.0% p.a. in excess of Gilts, over rolling three-year periods. The target return will be reviewed periodically.

The asset allocation strategy chosen by the Trustee to meet the objective is set out in the table below.

Portfolio	Target Weighting* %	Range (%)
Hedging Component	45	42 - 48
Diversified Liquid Credit Strategy	55	52 - 58

The Trustee delegates responsibility for managing their asset allocation to AIL. AIL will monitor the actual asset allocation versus the target weight and the ranges set out in the table and will rebalance the allocations back to their target weights when they breach the agreed ranges. Further details are provided in the appendices to this Statement.

The Hedging Component aims to take into account the movement in the underlying value of the Scheme's liabilities. In addition, the Hedging Component includes an allocation to synthetic credit, which will be affected by market prices of investment grade corporates. The diversified liquid credit strategy is affected by market prices of a range of credit assets, in which the strategy invests.

The asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. When choosing the Scheme's planned asset allocation strategy the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Trustee also consulted with the sponsoring employer when setting this strategy.

RISK

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme’s funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme’s immediate liabilities (“cash flow risk”). The Trustee and its advisers will manage the Scheme’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers chosen by AIL, to achieve the rate of investment return assumed by the Trustee (“manager risk”). This risk is considered by the Trustee and AIL both on the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk (“risk of lack of diversification”). This risk was considered by the Trustee and its advisers when setting the Scheme’s investment strategy. AIL also considers this risk when implementing the strategy.
- The possibility of failure of the Scheme’s sponsoring employer (“covenant risk”). The Trustee and its advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. This will normally be done triennially. Some of these risks may also be modelled explicitly during the course of such reviews.

To allow the Trustee to monitor some of the key risks it receives quarterly reports from AIL which will include information such as:

- Performance of the assets versus the agreed benchmarks.
- Any significant issues that may impact its ability to meet the performance targets set by the Trustee.

IMPLEMENTATION

Aon has been selected as investment adviser to the Trustee. Aon operates under an agreement to provide a service which ensures the Trustee is fully briefed to take some decisions itself and to monitor those it delegates.

The Trustee has delegated all day-to-day decisions in respect of the Scheme's investments to AIL through a written contract including the appointment and monitoring of fund managers. Decisions in respect of the allocation of assets between different asset classes remain with the Trustee. When choosing asset classes and fund managers, the Trustee and AIL must exercise their powers of investment in accordance with the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). AIL's responsibilities include:

- Realisation of investments - although the Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise, AIL can realise the majority of assets at short notice (through the sale of units in pooled funds).
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Delegating voting and corporate governance as required for the underlying fund managers to meet the performance objectives of the investments they hold.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (“ESG”) CONSIDERATIONS

In setting the Scheme’s investment strategy, the primary concern of the Trustee is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The Trustee considers investment risk to include ESG factors and climate change, which it considers financially material considerations. These risks could negatively impact the Scheme’s investments over the period needed for the funding of future Scheme benefits. The Trustee considers these risks by taking advice from its investment adviser who may, where appropriate, factor these risks into the selection, retention and realisation of investments.

The Trustee has appointed AIL to manage the Scheme's assets. AIL invests in a range of underlying investment vehicles.

As part of AIL’s management of the Scheme's assets, the Trustee expects AIL to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

MEMBERS' VIEWS AND NON-FINANCIAL FACTORS

In setting and implementing the Scheme’s investment strategy (including the selection, retention and realisation of investments) the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"¹).

¹ The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

ARRANGEMENTS WITH ASSET MANAGERS

The Trustee has appointed AIL as its fiduciary manager, who it considers to be its asset manager. References in this policy to ‘underlying asset managers’ refers to those asset managers which AIL in turn appoints to manage investments on behalf of the Trustee.

The Trustee recognises that the arrangements with AIL, and correspondingly the underlying asset managers, are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that AIL is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustee receives quarterly reports and verbal updates from AIL on various items including the implementation of the investment strategy, performance of the underlying managers and any significant changes to the investment arrangements. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assesses AIL over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by AIL, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares its policies, as set out in this SIP, with AIL and requests that they review and confirm whether their approach is in alignment with the Trustee's policies.

The Trustee delegates the ongoing monitoring of underlying asset managers to AIL. AIL monitors the Scheme's investments to consider the extent to which the decisions of the underlying asset managers are aligned with the investment objectives of the Scheme.

This includes monitoring the extent to which the underlying asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointment of a new fiduciary manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at trustee meetings) so that there is more alignment.

The Trustee believes that having appropriate governing documentation, including termination provisions and payment terms, setting clear expectations to AIL, and regular monitoring of AIL's performance, is sufficient to incentivise AIL to make decisions that align with the Trustee's policies and investment strategy and that are based on assessments of medium- and long-term financial and non-financial

performance, and to engage with the underlying asset managers in order to improve their performance in the medium to long term.

Where AIL is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically engage with AIL to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements for AIL, although the continued appointment will be reviewed periodically and/or where performance issues are highlighted by the monitoring process. Similarly, there are no set durations for arrangements with the underlying asset managers that AIL invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

COST MONITORING

The Trustee is aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by its investments.

The Trustee receives annual cost transparency reports from AIL. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to AIL;
- The fees paid to the investment managers appointed by AIL;
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by AIL;
 - The Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by AIL;
- Any charges incurred through the use of pooled funds (custody, administration, and audit fees)
- The impact of costs on the investment return achieved by the Scheme.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and managers. AIL monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustee.

The Trustee benefits from the economies of scale provided by AIL in two key cost areas:

- The ability of AIL to negotiate reduced annual management charges with the appointed investment managers;
- The ability of AIL to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible.

EVALUATION OF PERFORMANCE AND REMUNERATION

The Trustee assesses the (net of all costs) performance of AIL on a rolling three-year basis against the agreed benchmarks. The remuneration paid to AIL and fees incurred by third parties appointed by AIL are provided annually by AIL to the Trustee. This cost information is set out alongside the performance of AIL to provide context. The Trustee monitors these costs and performance trends over time. AIL uses a third party to evaluate costs in detail with the aim of better understanding costs and challenging managers around any outliers. Any costs savings from managers are passed on to the Trustee.

STEWARDSHIP – VOTING AND ENGAGEMENT

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promote corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee annually reviews the stewardship activity of AIL to ensure the Scheme's stewardship policy is being appropriately implemented in practice. The Trustee receives annual reports on stewardship activity carried out by AIL, these reports include detailed voting and engagement information from underlying asset managers.

As part of AIL's management of the Scheme's assets, the Trustee expects AIL to:

- Ensure that (where appropriate) underlying asset managers exercise the Trustee's rights (including voting rights) in relation to the Scheme's assets; and
- Report to the Trustee on stewardship activity by underlying asset managers as required.

The Trustee will engage with AIL as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members on the website in 2021

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant or if votes were abstained. Where voting is concerned the Trustee expects the underlying asset managers to recall stock lending, as necessary, in order to carry out voting actions.

It is the policy of the Trustee to engage, from time to time, with AIL, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which it would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to make an informed decision. The Trustee has established the following decision making structure:

Trustee Set structures and processes for carrying out its role. Review actual returns versus the Scheme's objective. Select and review a suitable level of target return. Select and monitor Additional Voluntary Contribution ("AVC") direct investments (see below). Choose asset classes to meet the objectives. Select and monitor the investment adviser and the fiduciary manager. Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy (where these decisions have not been delegated) Approve this document	
Investment Adviser Advise on all aspects of the investment of the Scheme assets. Advise on this statement. Provide required training. Advise on the Liability Cashflow Benchmark used by AIL.	The fiduciary manager (AIL) Determine the strategy for selecting fund managers. Implement the investment strategy. Select and appoint investment managers. Monitor investment managers. Report on asset performance against the agreed benchmarks. Communicate any significant changes to the investment arrangements.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments**.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by AIL) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fiduciary manager to manage the assets delegated to it under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the sponsoring employer over any changes to the SIP.

Agreed on behalf of the Oxoid Pension Scheme

<i>This Statement of Investment Principles is produced to meet the requirements of the Pensions Act 1995 and to reflect the Government's Voluntary code of conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.</i>

The Oxoid Pension Scheme (the “Scheme”)
Appendix to Statement of Investment Principles

Appendix A

This Appendix sets out the Trustee’s current investment strategy, and is supplementary to the Trustee’s SIP.

The Trustee’s investment strategy has been established in order to maximise the likelihood of achieving the objectives set out in the attached SIP. The details are laid out below:

1 – Asset Allocation Strategy

The Scheme’s assets are currently split approximately 55% to the Diversified Liquid Credit Strategy and 45% to the Hedging Component. The Hedging Component comprises of the Synthetic Credit Portfolio and the Liability Matching Portfolio.

The table below outlines the target weights and ranges of the underlying funds.

Asset Class	Target Weight (%)	Range (%)
Diversified Liquid Credit Strategy	55	52 - 58
Hedging Component		
Liability Matching Portfolio	37	42 - 48
Synthetic Credit Portfolio	8	

2 – The Portfolios

Diversified Liquid Credit Strategy

The Diversified Liquid Credit Strategy will be invested in the Diversified Liquid Credit (Adept 29) Fund (“The Fund”). The Fund targets a return of SONIA +1.5% p.a. (net of manager fees) over a full market cycle.

The Fund invests in a diversified mix of credit strategies that seek to deliver returns through making long-only investments in credit markets and collecting the income from these investments. In addition, the Fund focuses on providing exposure to high-quality, low risk credit assets in a cost-efficient manner.

As a fund of investment funds, the Fund is designed to provide investors with the potential to control risk through diversification by investing with several Underlying Funds. The Fund utilises, through AIL, an investment process that consists of quantitative and qualitative analyses by which Underlying Funds are screened and regularly monitored. The Underlying Funds selected for the Fund are tracked to ensure that, in combination, their strategy, objectives, discipline, transactions, results and outlook continue to remain consistent with the Fund's objectives.

Hedging Component

The hedging component will be comprised of the Liability Matching Portfolio and the Synthetic Credit Portfolio.

The allocation to the Liability Matching Portfolio will be invested in liability matching funds which aim to provide returns in line with the liabilities of typical pension schemes on an exposure basis in the relevant tenures and instruments (long/short, real/nominal).

In the normal course of events, the matching funds will seek to achieve their investment objectives primarily by investing in a combination of a diversified portfolio of fixed income securities directly or through the use of derivatives and collective investment schemes which themselves invest primarily in these instruments.

The initial target interest rate and inflation hedge ratios will be 100% (+/-5% for each), scaled to the value of the assets.

The allocation to the Synthetic Credit Portfolio will be invested in the Insight LDI Global Synthetic Credit Fund. The Fund targets a benchmark return of 50% of Markit iTraxx Europe Main 10-year Index and 50% Markit CDX North America Investment Grade 10-year Index (currency hedged into GBP, net of roll transaction costs).

The Fund aims to provide meaningful credit spread exposure to investment grade corporates in a capital efficient manner to better match annuity pricing.

The initial target credit hedge ratio will be 40% (+/-5%), scaled to the value of the assets.

3 – Other matters

Cash investments and disinvestments

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustee's intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrator.

The investment managers are not permitted to hold cash, other than within the funds themselves and subject to the constraints set by the investment managers.

Additional Voluntary Contributions

The Trustee has made available the following range of investment options:

- a) Prudential Assurance Company Limited.
- b) Equitable Life (closed to new contributions).

The Trustee has commissioned Aon to produce this SIP. The Trustee will provide a copy of this SIP on request to Scheme members and it will also be published online.

An annual review of AIL's performance against the agreed benchmarks is available in the Trustee's Annual Report to members. This will also report on any changes to the Scheme's investment strategy.

The Trustee has also commissioned Aon to provide quarterly monitoring of AIL's performance against its benchmarks.

The Trustee recognises that there is a requirement to demonstrate good governance and to be transparent and accountable to Scheme members.

Last updated: March 2021