

## **The Thermo Fisher Scientific DB Pension Scheme (“the Scheme”)** **Statement of Investment Principles**

The following document outlines the Scheme’s Statement of Investment Principles (“SIP”), which covers the defined benefit and the defined contribution sections of the Scheme and 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.

Any statements made in this SIP regarding the Trustee's policies in relation to the defined contribution section, also apply to the default arrangement used by the defined contribution section.

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 SIP became effective following the delegation of certain decision making powers by the Trustee to its fiduciary manager, Aon Investments Limited ("AIL"). The Trustee has taken advice from its investment adviser, Aon Investments Limited ("Aon"), regarding the suitability of AIL in this capacity.

## **Defined Benefit Section**

### **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.

### **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 expected return is in the region of 1.5% p.a. in excess of Gilts, over rolling three-year periods. The expected return will be reviewed periodically.

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

<b>Portfolio</b>	<b>Target Weighting</b>	<b>Range (%)</b>
	<b>%</b>	
<b>Hedging Component</b>	45	42 - 48
<b>Diversified Liquid Credit Strategy</b>	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 risk of holding insufficient collateral in respect of the Hedging Component ("collateral shortfall risk"). If there is too little collateral, the Scheme is at risk of not maintaining its target hedging level. Conversely, if there is too much collateral the expected return of the Scheme may be too low. The Trustee and its investment adviser manage this risk by setting an appropriate target strategic asset allocation and through regular monitoring of the collateral. The strategic asset allocation has predefined allocations and allowable ranges providing AIL the discretion to take appropriate action to manage the Hedging Component. In its role as a fiduciary manager, AIL provides updates when appropriate in relation to relevant regulatory changes or guidance relating to maintaining LDI resilience.
- The failure by the investment 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 investment 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:

- Information relating to the Scheme’s latest approximate collateral position.
- 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.

## **Defined Contribution Section**

**Scheme Overview:** The Scheme's DC section is accessible to members through a Trustee appointed platform provider – Aegon UK. The platform provider has been appointed on an Investment-only mandate. Members have access to a default investment option, the default Lifestyle strategy, and a range of self-select funds.

For the defined contribution arrangements, the Trustee is responsible for providing members with an appropriate range of investment options and investing assets in line with members' preferences.

The Trustee's objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth which, together with new contributions from members and the sponsoring employer, will provide a fund at retirement with which to access benefits at retirement.

Members are responsible for selecting the fund or combination of funds in which they wish to invest their pension accounts from the available range, but in the event that members do not select funds, the Trustee invests monies for such members in a default Lifestyle Strategy (see later section).

The Trustee permits members to choose between some of the underlying funds on a "self select" basis. Members are advised to take independent financial advice before choosing between these funds.

The Trustee is satisfied that the funds offered to members and the appointed investment managers are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity. The funds available are outlined in Appendix B to this document.

The Trustee's investment adviser provides advice regarding the suitability of this approach.

Taken together, the objectives and policies the Trustee has adopted in respect of the default arrangement, and following analysis of the membership, are expected to meet the needs of members, by providing the following:

- The opportunity to increase the value of their benefits with investment growth.
- An investment which manages risk in an appropriate and considered way.
- A portfolio commensurate with how members may take their benefits when they retire.

## **INVESTMENT OBJECTIVE**

The Trustee is responsible for the appointment of and continued monitoring of the platform provider. In addition, the Trustee is responsible for the choice of investment options made available to members of the Scheme, including the default Lifestyle Strategy into which assets are invested in the absence of any instructions from the member.

Before making this choice, the Trustee obtained and considered written advice on the investment options appropriate for the Scheme from its investment adviser, Aon Investments Limited ("Aon"), who is authorised and regulated by the Financial Conduct Authority to give such advice under the Financial Services and Markets Act 2000.

The Trustee is responsible for Scheme assets to be invested in a prudent manner. Its key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. When selecting the fund range, the Trustee took account of the range of circumstances that it thought might reasonably apply to the Scheme's membership, while recognising that it was not possible to deal with every eventuality. The fund range is designed to suit a range of possible attitudes to risk and terms to retirement, though it was accepted that only the members themselves are in a position to fully consider their situation (e.g. financial circumstances) and use the fund options appropriately.

## **STRATEGY**

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking advice from its advisers. In choosing the Scheme's investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification of asset classes.

The Trustee expects the long-term return on the investment options that invest predominantly in growth assets (e.g. equities, etc) to exceed price inflation and general salary growth.

The long-term returns on Bond and Cash funds are expected to be lower than returns on growth asset options however, these are expected to be less volatile.

For members who plan to invest in an annuity at retirement, investing in Bond funds as retirement approaches can help to mitigate the risk of annuity prices changing unfavourably relative to their underlying investments.

Cash funds aim to provide protection against changes in short-term capital values and may be appropriate for members receiving part of their retirement benefits in the form of tax-free cash.

## **RISK**

The Trustee recognises that members take the investment risk. The Trustee takes account of this in the selection and monitoring of the investment managers and the choice of funds offered to members. and has considered risk from a number of perspectives.

The investment options made available to members have been chosen with the aim of enabling members to control the following risks:

- **Inflation risk.** The risk that the level of investment return over members' working lives will not keep pace with inflation and will not, therefore, secure an adequate retirement benefit.
- **Volatility risk.** The risk of significant short-term fluctuations in the value of members' invested capital which some members may be concerned about.
- **Capital risk.** The risk of a significant fall in the value of members' invested capital as they approach retirement.
- **Conversion risk.** The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured.

A number of other risks have also been considered when deciding on the investment options to make available to members:

- **Default option risk.** The risk of the default investment option, the default Lifestyle Strategy, being unsuitable for the requirements of some members. The Trustee has also provided self select fund options in addition to the default investment option and has communicated to members the need to review their own requirements and circumstances before making any investment decisions.
- **Investment manager Risk.** The risk that the selected investment managers underperform their objectives. The Trustee regularly reviews each fund's investment performance and takes ongoing advice from the DC investment adviser on the ongoing suitability of the funds and investment managers. The Trustee focuses on providing passive options that avoid active management risk.

- **Diversification Risk.** The Trustee has chosen funds that are constructed from well diversified portfolios of assets to reduce the stock specific risk faced by the Scheme.
- **Liquidity Risk.** Being forced to sell investments to pay benefits in unfavourable financial market conditions. The Trustee has invested in unitised pooled funds which are easily redeemable.
- **Geared or speculative investments using derivatives.** The Trustee has not invested in funds that are geared or make largely speculative use of derivatives.
- **Credit Risk.** The risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The credit risk the scheme is exposed to arises from both holdings in the underlying funds, and through the investment in the Aegon UK investment platform.
- **Market Risk.** The Scheme is subject to currency, interest rate and other price risk associated with the underlying investments on the Aegon UK platform. These risks can impact the valuations of the funds. The Trustee has selected a sufficient range of funds to be available to allow members to suitably diversify their investments to manage these risks. This is also considered when setting the lifestyle strategy. Further, the Trustee closely monitors the performance of the funds and receives formal reports from the DC investment adviser giving views on their continuing appropriateness, and that of the underlying investment managers.
- **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 these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee’s policy is to periodically review the range of funds offered.

These risks are considered as part of each normal strategy review. In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a regular basis, along with monitoring any significant issues with the investment managers that may impact their ability to meet the performance targets set by the Trustee.

### CUSTODY

Investment in pooled funds gives the Trustee rights to the cash value of the units rather than to the underlying assets. The underlying manager of each of the pooled funds is responsible for the appointment and monitoring of the custodian of the fund's assets.



## **Defined Benefit and Defined Contribution Sections**

### **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 about the investments that fall within each mandate, including the realisation of investments, to a range of carefully selected and monitored investment managers through written contracts. In the case of the Defined Benefit section only, the mandate given to AIL includes the appointment and monitoring of investment managers. Decisions in respect of the allocation of assets between different asset classes remain with the Trustee. When choosing asset classes and investment managers, the Trustee and the investment managers must exercise their powers of investment in accordance with the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

The investment managers 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, the investment managers 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 investment managers to meet the performance objectives of the investments they hold.

The Trustee consulted with the sponsoring employer when setting the strategies for both the defined benefit and defined contribution sections.

## **Defined Benefit Section**

### **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"<sup>1</sup>).

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

## **ARRANGEMENTS WITH INVESTMENT MANAGERS**

The Trustee has appointed AIL as its fiduciary manager, who it considers to be its investment manager. References in this policy to ‘underlying investment managers’ refers to those investment 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 investment 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 investment strategy, performance, and longer-term positioning of the portfolio. 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 investment managers to AIL. AIL monitors the Scheme's investments to consider the extent to which the decisions of the underlying investment managers are aligned with the investment objectives of the Scheme.

This includes monitoring the extent to which the underlying investment 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 investment 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 investment 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 investment 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 investment 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 has delegated all voting and engagement activities to the Scheme's underlying investment managers, via its fiduciary manager, AIL. The Trustee accepts responsibility for how the managers steward assets on its behalf, including the casting of votes in line with each managers' individual voting policies. The Trustee reviews manager voting and engagement policies and actions on an annual basis from AIL to ensure they are in line with the Trustee's expectations and in members' best interests.

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

- Ensure that (where appropriate) underlying investment 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 investment managers as required.

Underlying investment managers are expected to vote at company meetings and engage with companies on the Trustee's behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

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 investment 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 investment 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.

This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustee's active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members on request.

Should the Trustee's monitoring process reveal that a manager's voting and engagement policies and actions are not aligned with the Trustee's expectations, the Trustees will engage, via different medium such as emails and meetings, with AIL to discuss how alignment may be improved to bring about the best long-term outcomes for the Scheme.

## **Defined Contribution Section**

### **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. These risks could negatively impact the Scheme’s investments over the period before a member retires. 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 investment managers to manage the Scheme's assets. The investment managers invest in a range of underlying investment vehicles.

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

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers; 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"<sup>2</sup>).

The underlying funds that make up the default Lifestyle Strategy and other self-select funds should not apply personal ethical or moral judgements as the sole basis for an investment decision.

### **ARRANGEMENTS WITH INVESTMENT MANAGERS**

The Trustee monitors the investment options made available through the Scheme, including the default Lifestyle Strategy, to consider the extent to which the investment strategy and decisions of the appointed investment managers are aligned with the Trustee's policies, as set out in this statement. This includes monitoring the extent to which investment managers:

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<sup>2</sup> The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

- make decisions based on assessments about medium- to long-term 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.

The Trustee is supported in this monitoring activity by its investment adviser.

The Trustee receives reporting and verbal updates from its investment adviser on various items including the investment strategy, performance, and longer-term positioning of the strategy. The Trustee focusses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assesses the investment managers over the long-term.

If/when a new investment manager is appointed, the investment adviser (on behalf of the Trustee) endeavours to review the governing documentation associated with the investment. The Trustee believes that having appropriate governing documentation in place, including termination provisions and payment terms, and regular monitoring of the investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that:

- align with the Trustee's policies and investment strategy;
- are based on assessments of medium- and long-term financial performance; and
- encourage engagement with the underlying investee companies and issuers of debt, in order to improve their performance in the medium to long term.

Where investment managers are considered to be making decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the investment adviser (on behalf of the Trustee) will endeavour to first engage with the investment manager and in the event of a material misalignment, could ultimately replace the investment manager if deemed necessary.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed periodically and/or where performance issues are highlighted by the monitoring process, and at least every three years.

## **COSTS AND TRANSPARENCY**

### **Adviser related costs**

The Trustee's DC investment adviser is paid for advice received on the basis of the time spent on appropriate work. For significant areas of advice (for example large projects, such as a review of the lifestyle strategies), the Trustee may agree a project budget. These arrangements recognise the bespoke nature of the advice given, and that no investment decisions have been delegated to the investment adviser. These costs are not met by members and are not included in member borne costs.



## **Member borne costs**

It is the Trustee's view that long term performance, net of fees, is the most important metric on which to evaluate their investment managers.

Investment managers are remunerated by the deduction of set percentages of assets under management, which is in line with market practice. This avoids a short-term approach to investment performance that may be the result of any performance-related fees. The Trustee therefore believes it is important to understand all the different costs and charges, which are paid by members (through a deduction from the unit price). These include:

- explicit charges, such as the annual management charge, and additional expenses that are disclosed by investment managers as part of the Total Expense Ratio ('TER');
- implicit charges, such as the portfolio turnover costs borne within a fund. These are incurred on an ongoing basis and are implicit within the performance of each fund.

The platform provider is also remunerated as a set percentage of the assets under management. This reflects the costs associated with hosting of funds and provision of investment reporting and valuation services.

The investment adviser (on behalf of the Trustee) collects information on these member borne costs and charges on an annual basis, where available, and sets these out in the Scheme's annual Chair's Statement which is made available to members in a publicly accessible location.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. The Trustee does not explicitly monitor portfolio turnover however, expects its investment adviser to highlight if these costs and charges, including portfolio turnover, appear unreasonable when they are collected as part of the annual Chair Statement exercise.

In general, the Trustee believes that low cost passive funds offer good value for money, for members, and these should be used in the default Lifestyle Strategy as much as possible. However, they also believe that there can be opportunities for active managers to add value and accordingly makes available an active fund for members to invest in, on a self-select basis.

The Trustee evaluates the performance of its investment managers relative to their respective objectives on a regular basis. This is done via investment monitoring reports produced by its investment adviser and updates from the investment managers. The Trustee also reviews the remuneration of the Scheme's investment managers on at least a triennial basis, to ensure that these costs are reasonable in the context of the kind and balance of investments held.

## **STEWARDSHIP - VOTING AND ENGAGEMENT**

The Trustee invests in pooled funds through a platform provider, Aegon UK, and as such have delegated responsibility for the selection, retention and realisation of investments to the Scheme's managers in whose funds they invest.

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

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

- Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk;
- Ensure that (where appropriate) underlying managers exercise the rights of the Trustee (including voting rights) in relation to the Scheme's assets; and
- Report to the Trustee on stewardship activity by underlying managers as required.

The Trustee regularly reviews the continuing suitability of the investment managers and takes advice from the investment adviser regarding any changes. Where appropriate, this advice includes stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards that the Trustee has set out in its policy, the Trustee undertakes to engage with the investment manager and seek a more sustainable position (where possible) but may look to replace the investment manager.

The Trustee endeavours to review the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Scheme's investment managers and ensure the investment managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

On an annual basis, the Trustee expects investment managers to provide aggregate voting information at a fund level and voting rationale for significant votes (defined as where votes were cast against management or where voting differed from the standard voting policy of the investment manager).

The Trustee will engage with its investment manager, 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 publicly available to Scheme members.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

## **ALIGNMENT WITH WIDER CORPORATE SUSTAINABILITY POLICIES AND PRACTICES**

When setting its own policies, particularly in relation to stewardship, the Trustee has regards to the Sponsoring employer's policies on sustainability. The Trustee may look to integrate its practices with those of the Sponsor, provided these do not cause a financial detriment to members.

## **ILLIQUID INVESTMENT POLICY**

While the Trustee does not invest in illiquid assets directly, the Trustee invests in a multi-asset fund, the Aegon BlackRock Diversified Growth Fund, within the Default Lifestyle Strategy.

The multi-asset fund is introduced in the de-risking phase of the Default Lifestyle Strategy and is therefore only held by members in the Default Lifestyle Strategy who are within 15 years of their selected retirement date.

The Trustee expects the vast majority of the multi-asset funds' underlying holdings to be liquid, but on occasion the underlying investment managers may allocate to underlying illiquid investments. The Trustee is comfortable that the underlying investment managers are best placed to use their discretion as to the appropriateness of holding illiquid investments in the underlying funds at any particular time, and to use the liquid portions within each underlying fund to ensure members have sufficient access to liquidity. Overall, each underlying fund is still expected to provide full daily liquidity.

Whilst the Trustee recognises that illiquid investments may be associated with higher costs and liquidity risks, it believes that the underlying investment managers are best positioned to assess the appropriateness, and that access to an illiquidity premium and enhanced diversification may be beneficial to members in the long-term.

## **Defined Benefit and Defined Contribution Sections**

### **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:

<p><b>Trustee</b>  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.  Choose asset classes to meet the objectives.  Select and monitor the DC section, including the Lifestyle arrangement and available funds to members  Select and monitor Additional Voluntary Contribution (“AVC”) direct investments (see below).  Select and monitor the investment adviser, investment managers 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</p>	
<p><b>Investment Adviser</b>  Advise on all aspects of the investment of the Scheme assets.  Advise on this statement.  Provide required training.  For the Defined Benefit section alone, advise on the Liability Cashflow Benchmark used by AIL.</p>	<p><b>Investment Managers</b>  Implement the investment strategy.  Report on asset returns against the agreed benchmarks.  Communicate any significant changes to the investment arrangements.  <b>Specific to the Defined Benefit Section</b>  <b>The fiduciary manager (AIL)</b>  Determine the strategy for selecting investment managers.  Select and appoint investment managers.  Monitor investment managers.</p>

The Pensions Act 1995 distinguishes between investments where the management is delegated to an investment 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 investment 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 Thermo Fisher DB Scientific Pension Scheme**

*This SIP 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 SIP and with the disclosure requirements.*

**The Thermo Fisher Scientific DB Pension Scheme (the “Scheme”)**  
**Appendices to Statement of Investment Principles**

**Defined Benefit Section**

**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.

<b>Asset Class</b>	<b>Target Weight (%)</b>	<b>Range (%)</b>
Diversified Liquid Credit Strategy	55	52 - 58
Hedging Component	45	42 - 48
<i>Liability Matching Portfolio</i>	39*	-
<i>Synthetic Credit Portfolio</i>	6*	

\*Figures represent illustrative weightings and may change over time due to market movements.

**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 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 target credit hedge ratio will be 30% (+/-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.

## Defined Contribution Section

### Appendix B

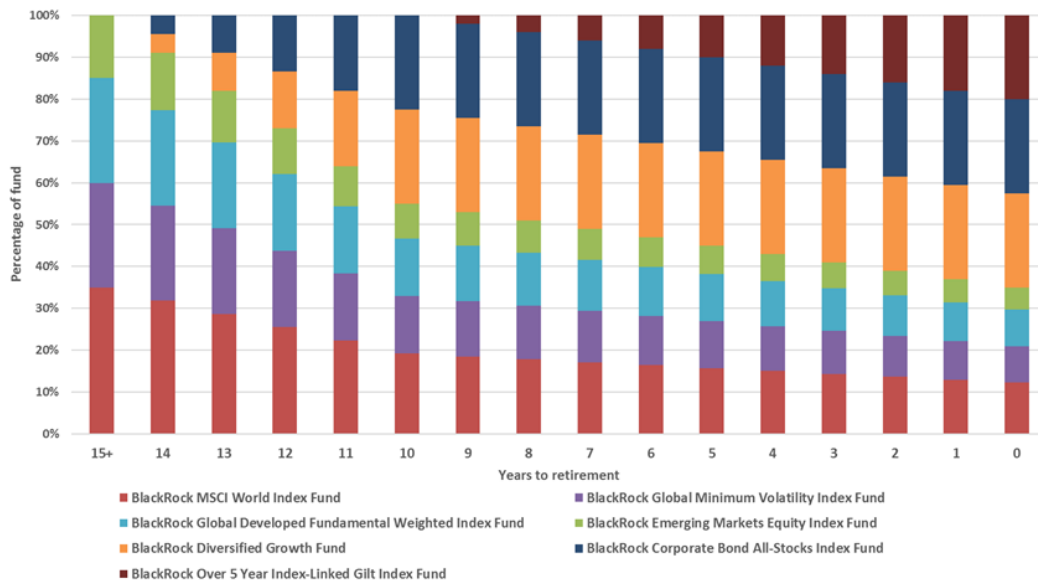
Asset options and the Investment Management Arrangements for the defined contribution section are set out in the tables below:

#### Default Lifestyle Arrangement

The Trustee is required to designate a default arrangement into which members who are automatically enrolled are invested. The Trustee has designated the Lifestyle Strategy described below as the default arrangement for the Scheme.

The Lifestyle strategy has been constructed to take into account the likely investment needs and risk tolerances of the existing membership of the Scheme and those joining the Scheme, in particular the gradual switching of investments over time takes into account members' greater capacity for risk early on and reduced capacity for risk in later years.

The asset allocation for a member invested in the default Lifestyle Strategy varies depending on the number of years to planned retirement age, as illustrated below:



The aim of the default Lifestyle strategy is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings though exposure to equity and diversified growth funds and then to gradually reduce risk (by investing across a broader range of asset classes) in the years approaching retirement.

The Lifestyle Strategy's accumulation phase, which is the period leading up to the 15 years before the planned retirement age, is solely invested in global equities. The aim of this phase is to provide high levels of growth for members' savings.



During the Lifestyle Strategy's pre-retirement phase, which commences at 15 years to the planned retirement age, allocations to lower risk assets such as DGFs, index-linked government bonds and fixed interest corporate bonds are gradually introduced into the Lifestyle Strategy. The intention of this phase is to protect the value of members' retirement savings and ensure that their savings are invested in a mix of assets that is appropriate for taking income drawdown at retirement (note that this would involve transferring funds to an external arrangement at retirement).

The outcomes of the default Lifestyle Strategy will be reviewed periodically with reference to the manner in which members take their benefits from the Scheme. This periodic review will also take into account any significant changes in the demographic profile of the relevant members.

### Self-Select Arrangements

Members can alternatively follow their own “freestyle” asset allocation by choosing where their contributions are invested from the asset classes available. The options available for Freestyle members include some of the funds offered within the Lifestyle Matrix illustrated above.

### Investment Management Arrangements

The range of fund options provided to members for future contributions is available through Aegon as follows:

Asset Class	Fund	Benchmark Index	Active/ Passive
<b>Self-select funds</b>			
Equities	Aegon BlackRock Aquila Life 50:50 Global Equity Fund	50% FTSE All-Share Index and 50% Overseas Equities	Passive
	Aegon BlackRock Aquila Life 60:40 Global Equity Fund ( <b>for Life Sciences members only</b> )	60% FTSE All Share Index and 40% Overseas Equities	Passive
	Aegon BlackRock 70/30 Global Equity Fund ( <b>for Unicam members only</b> )	70% FTSE All-Share Index and 30% ABI 40-85 Sector Index (ABI Survey)	Passive
	Aegon BlackRock MSCI World Index Fund	MSCI World Index	Passive
	Aegon BlackRock UK Equity Index Fund	FTSE All-Share Index	Passive

<b>Asset Class</b>	<b>Fund</b>	<b>Benchmark Index</b>	<b>Active/ Passive</b>
	Aegon BlackRock World ESG Equity Tracker Fund	MSCI World ESG Focus Low Carbon Screened Index	Passive
	Aegon HSBC Islamic Global Equity Index Fund	Dow Jones Islamic Titan Index	Passive
Multi Asset	Aegon BlackRock Diversified Growth Fund	Bank of England official Bank Rate plus 3.5% (target)	Active
	Aegon BlackRock Consensus Fund	ABI 40-85 Sector Index (ABI Survey)	Passive
Bonds	Aegon BlackRock Aquila Life Over 15 Year UK Gilt Index Fund	FTSE UK Gilts Over 15 Years Index	Passive
	Aegon BlackRock Over 5 Year Index-Linked Gilt Index Fund	FTSE UK Gilts Index-Linked Over 5 Years Index	Passive
	Aegon BlackRock Corporate Bond All-Stocks Index Fund	iBoxx £ Non-Gilts Index	Passive
Cash	Aegon BlackRock Cash Fund	SONIA (Sterling Over Night Index Average)	Passive
<b>Lifestyle Strategy</b>			
Mixed	Various	Various	Both

An “Active” fund is one which aims to outperform its stated benchmark index, while a “Passive” fund aims to deliver a return approximate to its stated benchmark.

## **Additional Voluntary Contributions**

### **Appendix C**

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

- a) Aegon (current DC provider)
- b) Utmost Life and Pensions (formerly known as Equitable Life) - Closed to new members
- c) Standard Life - Closed to new members
- d) Phoenix Life - Closed to new members

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: September 2024*