INSTRUMENTATION LABORATORY (UK) LIMITED RETIREMENT BENEFITS SCHEME
STATEMENT OF INVESTMENT PRINCIPLES

JUNE 2019
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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Instrumentation Laboratory (UK) Limited Retirement Benefits Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, JLT Employee Benefits ("JLT EB"), a trading name of JLT Benefit Solutions Limited, ("JLT"), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.
2 INVESTMENT OBJECTIVES

The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.
3 INVESTMENT RESPONSIBILITIES

3.1. TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at total scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2. INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed JLT EB as the independent investment adviser to the Scheme. JLT EB provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which JLT EB expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Selecting and replacing investment managers
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustees may seek advice from JLT EB with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). JLT EB may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on JLT EB to be proactive in all circumstances.

The Trustees monitor the performance of the Scheme's investment managers against their benchmarks.

JLT is remunerated on a fixed fee basis for specific services, as specified within the Implemented Investment Consultancy Services Agreement (ICA). Any additional services provided by JLT EB will be remunerated primarily on a time-cost basis.

JLT does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice.

The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

JLT is authorised and regulated by the Financial Conduct Authority ("FCA").
3.3. INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees, after considering appropriate investment advice, have appointed investment managers to manage the assets of the Scheme. The assets are held on the Mobius Life Investment Platform provided by Mobius Life Limited.

The details of investment managers selected by the Trustees are set out in Appendix 3, together with the details of each manager's mandate.

All of the investment managers are authorised and regulated by the Prudential Regulation Authority ("PRA"), the FCA or both.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. The Trustees believe that this is the most appropriate basis for remunerating managers.

3.4. SUMMARY OF RESPONSIBILITIES

A summary of the responsibilities of all relevant parties, including the Scheme Actuary and the scheme administrators, so far as they relate to the Scheme's investments, is set out at Appendix 4.
4 INVESTMENT STRATEGY

4.1. SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme’s liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer’s appetite for risk, and the strength of the Sponsoring Employer’s covenant. The Trustees have also received written advice from their Investment Adviser.

The basis of the Trustees’ strategy is to achieve an appropriate rate of return by investing the scheme’s assets in a diversified portfolio designed to meet liability cashflows as they fall due, whilst also improving the hedging characteristics of the strategy. Additionally, the assets are to be invested in a way that will be consistent with the Trustees’ objective to deliver sufficient growth to reduce the Scheme’s deficit and keep the fund open to future accrual. The “growth” portfolio comprises assets such as diversified growth funds and equities whilst the “stabilising” portfolio comprises assets such as corporate bonds, multi-asset credit, equity-linked gilts and equity-linked index-linked gilts. The initial asset allocation is set out in Appendix 1.

The Trustees have established a benchmark allocation to each asset class within each strategic asset allocation, which is set out in Appendix 1. The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustees to commit the resources necessary to make these decisions themselves.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 2.

4.2. INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

**Strategic Investment Decisions**

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation
Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

4.3. TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and Overseas Equities
- UK and Overseas Government Bonds, Fixed and Inflation-linked
- UK and Overseas Corporate Bonds
- Property
- Commodities
- Hedge Funds
- Private Equity
- Infrastructure
- High Yield and Emerging Market Bonds
- Diversified Growth
- Equity-Linked Bonds
- Liability Driven Investment Products
- Cash

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

4.4. FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Scheme’s investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interests that these factors are taken into account within the investment process.

As noted earlier, the Scheme’s assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment managers.

The Trustees will also, with the assistance of the investment consultant, regularly review those policies and the impact of said policies to ensure they are appropriate and will take action where necessary.
4.5. NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that are expected to have a financial impact on the Scheme's investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

4.6. CORPORATE GOVERNANCE AND VOTING POLICY

The Trustees have concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders and should be for the Scheme's benefit.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

4.7. STEWARDSHIP

JLT EB will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers on behalf of the Trustees. If the Trustees have any concerns, they will raise them with JLT EB, verbally or in writing.
5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Scheme’s investments. Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk
- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

Manager Risk
- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers’ objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers’ investment process, and by appointing JLT IM to monitor and replace any managers where concerns exist over their continued ability to deliver the investment mandate.

Liquidity Risk
- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme’s assets are invested in pooled funds which are readily realisable.

Political Risk
- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk
- This is assessed by reviewing the Scheme’s investment managers’ policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme’s advantage.

Sponsor Risk
- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the sponsor’s business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the sponsor.

Legislative Risk
- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
• The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk
• This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
• The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes.

Market Risk
• This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk

Currency Risk
• This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
• For FX hedged funds, the Trustees acknowledge that currency risk related to overseas investments is hedged appropriately by the underlying investment managers.
• For FX funds where the currency risk is separately managed by the manager, the Trustees acknowledge that currency risk is delegated to the underlying investment managers where the manager is responsible for the decision of whether or not to hedge.

Interest rate risk
• This is the risk that an investment's value will change due to a change in the level or expected future level of interest rates. This affects debt instruments more directly than growth instruments.
• The Trustees acknowledge that the interest rate risk related to individual debt instruments, and particularly liability driven instruments (LDI), is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved.

Other Price risk
• This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.
• The Trustees acknowledge that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.
6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1. INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way.

6.2. INVESTMENT MANAGERS

The Trustees receive monthly valuations and quarterly monitoring reports on the performance of the underlying investment managers from Mobius Life Limited. The reporting reviews the performance of the Scheme’s individual funds against their benchmarks.

The Trustees also receive an annual monitoring report from JLT EB.
The Trustees are aware of the recommendations of the Myners report with respect to greater transparency within their Statement. The Trustees will review their compliance in due course.

The six principles are detailed in Appendix 5.
The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment managers, the Scheme's auditors and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on

Signed on behalf of the Trustees by

On

Full Name

Position

Graham Burrows

Richard Hames

Trustee

Trustee
APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme’s initial strategic asset allocation benchmark is set out below.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Strategic Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversified Growth Funds</td>
<td>25.0%</td>
</tr>
<tr>
<td>Emerging Markets Equities</td>
<td>10.0%</td>
</tr>
<tr>
<td>Overseas Equity-Linked Gilts</td>
<td>10.0%</td>
</tr>
<tr>
<td>Overseas Equity-Linked Index Linked Gilts</td>
<td>30.0%</td>
</tr>
<tr>
<td>Multi-Asset Credit</td>
<td>10.0%</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>15.0%</td>
</tr>
<tr>
<td><strong>Total Scheme</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Where possible, cash outflows will be met from cash balances held by the Scheme and from income from the Scheme’s investments in order to minimise transaction costs.

Investments or disinvestments should be applied in such a way as to bring the actual asset allocation back towards the Scheme’s central benchmark asset allocation, as set out in Appendix 1. The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Scheme’s cashflow requirements.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.
# APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Scheme’s assets are held on an investment platform provided by Mobius Life Limited. The tables below show the details of the mandate(s) with each manager.

<table>
<thead>
<tr>
<th>Manager / Fund</th>
<th>Benchmark</th>
<th>Objective</th>
<th>Dealing Frequency</th>
<th>SORP / IFRS Class</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nordea Diversified Return Fund</strong></td>
<td>3 month GBP LIBOR</td>
<td>To outperform the benchmark by 4.0% p.a. (gross of fees) over rolling 3 year periods</td>
<td>Daily</td>
<td>2</td>
</tr>
<tr>
<td><strong>LGIM World Emerging Markets Equity</strong></td>
<td>FTSE Emerging Index</td>
<td>To track the benchmark to within +/-1.5% p.a. for two years out of three</td>
<td>Daily</td>
<td>2</td>
</tr>
<tr>
<td><strong>BMO Overseas Equity-Linked UK Gilt</strong></td>
<td>100% Composite Equity Index* 75% FTSE Actuaries Gilts Over 15 Year Index Minus 75% LIBID 7 Day Index</td>
<td>To provide a total return by investing predominantly in UK government securities together with approximately 100% exposure to overseas equities through exchange trade futures</td>
<td>Daily</td>
<td>2</td>
</tr>
<tr>
<td><strong>BMO Overseas Equity-Linked UK Inflation</strong></td>
<td>100% Composite Equity Index* 75% FTSE Actuaries Index-inked Over 5 Year Index Minus 75% LIBID 7 Day Index</td>
<td>To provide a total return by investing predominantly in index-linked UK government securities together with approximately 100% exposure to overseas equities through exchange trade futures</td>
<td>Daily</td>
<td>2</td>
</tr>
<tr>
<td><strong>Investec Global Total Return Credit Fund</strong></td>
<td>3 month GBP LIBOR</td>
<td>To outperform the benchmark by 4% p.a. gross of fees over the full credit cycle</td>
<td>Daily</td>
<td>2</td>
</tr>
<tr>
<td><strong>LGIM Corporate Bond — Over 15 Year Index</strong></td>
<td>Markit iBoxx £ Non-Gilts (ex-BBB) Over 15 Years Index</td>
<td>To track the performance of the benchmark to within +/-0.5% p.a. for two years out of three</td>
<td>Daily</td>
<td>2</td>
</tr>
</tbody>
</table>

* Composite Equity Index is composed: 33% S&P 500 Index / 33% EuroStoxx 50 Index / 17% Topix Index / 8% ASX200 Index / 8% Hang Seng Index.
APPENDIX 4: RESPONSIBILITIES OF PARTIES

TRUSTEES
The Trustees' responsibilities include the following:

- Reviewing at least triennially, and more frequently if necessary, the content of this Statement in consultation with the Investment Adviser and modifying it if deemed appropriate
- Reviewing the investment strategy following the results of each actuarial review, in consultation with the Investment Adviser and Scheme Actuary
- Appointing the Investment Manager(s) and custodian (if required)
- Assessing the quality of the performance and processes of the Investment Manager(s) by means of regular reviews of investment returns and other relevant information, in consultation with the Investment Adviser
- Consulting with the sponsoring employer regarding any proposed amendments to this Statement
- Monitoring compliance of the investment arrangements with this Statement on a continuing basis

INVESTMENT ADVISER
The Investment Adviser’s responsibilities include the following:

- Participating with the Trustees in reviews of this Statement of Investment Principles
- Production of performance monitoring reports
- Advising the Trustees, at their request, on the following matters:
  - Through consultation with the Scheme Actuary, how any changes within the Scheme’s benefits, membership, and funding position may affect the manner in which the assets should be invested
  - How any significant changes in the Investment Managers’ organisation could affect the interests of the Scheme
  - How any changes in the investment environment could present either opportunities or problems for the Scheme
- Undertaking project work, as requested, including:
  - Reviews of asset allocation policy
  - Research into and reviews of Investment Managers
- Advising on the selection of new managers and/or custodians

INVESTMENT MANAGERS
As noted in this SIP, the Trustees, after considering appropriate investment advice, have appointed investment managers to manage the assets of the Scheme. The assets are held on the Mobius Life Investment Platform with Mobius Life Limited.

SCHEME ACTUARY
The Scheme Actuary’s responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Scheme’s investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels
ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the Investment Managers according to the Trustees' instructions.
APPENDIX 5: GOVERNANCE – MYNERS PRINCIPLES

The six Myners principles are as follows:

<table>
<thead>
<tr>
<th>Principle 1: Effective Decision Making</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Principle 2: Clear Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustees should set out an overall investment objective(s) for the Fund that takes account of the Fund's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Principle 3: Risk and Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Principle 4: Performance Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Principle 5: Responsible Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles (SIP). Trustees should report periodically to members on the discharge of such responsibilities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Principle 6: Transparency and Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate (e.g. Statement of Investment Principles, including Statement of Funding Principles; Websites / helplines (for larger schemes); and annual report and accounts).</td>
</tr>
</tbody>
</table>