Statement of Investment Principles - The PerkinElmer (UK) Pension Scheme (September 2020)

Introduction

1 PerkinElmer (UK) Pension Scheme (the 'Scheme') is a Registered Pension Scheme for the purposes of the Finance Act 2004. It has both defined benefit (DB) and a defined contribution (DC) sections, as well as providing the facility for members to pay Additional Voluntary Contributions (AVCs).

2 This document is the Statement of Investment Principles ('SIP') made by the Trustee of the Scheme in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).

3 Before finalising this SIP, the Trustee took written advice from the Scheme's Investment Consultant (Towers Watson Limited, a Willis Towers Watson company) and consulted PerkinElmer (UK) Holdings Limited (the 'Employer'). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.

4 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy.

Scheme objectives

5 For the DB section of the Scheme, the Trustee has considered (amongst other factors) the nature of the Scheme's liabilities and the Scheme's Statutory Funding Objective (SFO) when deciding on its investment strategy.

6 The Trustee's primary investment objective for the DB section is to limit the risk of the assets not being sufficient to meet the liabilities. It aims to do this by holding assets which broadly match its liabilities, bearing in mind the company proposal to buy-out the benefits

7 For the DC and AVC sections (other than monies held to meet DC underpins), the investment risk is borne by the member. The Trustee's primary investment objective for these sections is therefore to provide a range of investment options for the members to select from, which broadly satisfy the risk profiles of all members and their retirement needs.

8 The Trustee considers that the investment strategies shown on the following pages will ensure:

- There is a reasonable expectation of meeting its investment objectives, and;
- The assets are appropriately diversified.

Investment strategy – DB section

9 In August 2019, the Trustee agreed to update the Scheme's asset strategy to reduce the level of risk within the portfolio as shown in the table below, having taken advice from Willis Towers Watson.

Fund	Initial Allocation %	Benchmark Index Return
Aquila Life Under 5 year UK Index-Linked Gilt Index Fund	3	FTSE UK Gilts Index-Linked up to 5 years Index
Aquila Life Over 5 Year UK Index-Linked Gilt Index Fund	16	FTSE UK Gilts Index-Linked Over 5 years Index
Aquila Life Under 5 year UK Fixed Interest Gilt Index Fund	7	FTSE UK Gilts up to 5 years Index
Aquila Life Over 25 Year UK Fixed Interest Gilt Index Fund	45	FTSE UK Gilts Over 25 years Index
Aquila Life Over 15 Years Corporate Bond Index Fund	16	iboxx £ Non-Gilts Over 15 years Index
Aviva REaLM Multi Sector Unit Trust	13	Long term gilts plus 1.5-2.0%
Institutional Sterling Liquidity Fund (a)	0	7-Day LIBID
Total	**100**	

a Temporary fund to be used to as a vehicle to disinvest monies so to meet the Scheme's cashflow requirements. Holding at the month end following the portfolio update was 0.2%

There is no formal process in place to rebalance assets in line with the allocation shown above. The Trustee does, however, monitor the allocation within the portfolio and take action, including moving monies to the Liquidity Fund, as required.

10 The expected return available on the Scheme's assets is gilts + 0.4%, based on the output of the Willis Towers Watson investment model as at 30 June 2019 over an 18 year period.

11 The Scheme will also hold assets in cash and other money market instruments from time to time as may be deemed appropriate. The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets (namely the Institutional Sterling Liquidity Fund) to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investments, where possible. The Trustee, together with the Scheme's administrators, will hold sufficient cash to meet benefit and other payment obligations.

Investment strategy – DC and AVC sections

12 The Trustee provides DC section members with access to the funds shown in the table below having taken advice from Willis Towers Watson.

Scheme section	Provider	Fund Type	Benchmark Index Return
EG&G Protected	AEGON	UK Equity Index	FTSE All-Share
		US Equity Index	FTSE All World USA Index

Scheme section	Provider	Fund Type	Benchmark Index Return
Rights and underpin units		European Equity Index	FTSE All World Developed Europe (Ex-UK) Index
		Over 15 Years Corporate Bond Index	iboxx £ Non-Gilts Over 15 years Index
		Over 5 Year UK Index-Linked Gilt Index	FTSE UK Gilts Index-Linked Over 5 years Index
EG&G DC Section, non underpin units and AVCs and PerkinElmer Section AVCs	AEGON	UK Index Tracker	FTSE All-Share
		Global Equity Tracker	50% FTSE All Share Index 50% FTSE World Ex-UK Index
		Long Gilt Fund	FTSE A British Government over 15 years Index
		Cash Fund	LIBID
		Balanced Passive	ABI Mixed Investment 40% - 85% Shares sector average
		Balanced Passive Lifestyle *(default fund)*	ABI Mixed Investment 40% - 85% Shares sector average
		Growth Tracker (Cash Target)	FTSE All-Share 37.5%; FTSE World ex-UK 37.5%; Markit iBoxx GBP NonGilts 13.3%; FTSE Gilts All Stocks 9.0%; FTSE Index-Linked Over 5 Years 2.8%
		Growth Tracker (Flexible Target)	FTSE All-Share 37.5%; FTSE World ex-UK 37.5%; Markit iBoxx GBP NonGilts 13.3%; FTSE Gilts All Stocks 9.0%; FTSE Index-Linked Over 5 Years 2.8%
PerkinElmer Section AVCs	Utmost Life & Pensions (formerly Equitable Life)	With-Profits and Unit-linked funds	n/a

13 Old ‘Protected Rights’ and underpin accounts which link to DB benefits are invested in a range of AEGON units broadly in line with the historic asset holding of the assets held with BlackRock. No member choice over the investment is available for these units. Note that the investment of the Protected Rights and underpin units is to be reconsidered in light of the Company proposals referred to above.

14 For normal DC section and AVC funds, members are able to select from the range of funds to best meet their retirement needs and risk appetite. On retirement a member’s benefits can be used to secure a pension with AEGON. Alternatively, members can enter into a drawdown arrangement or purchase an annuity with a different provider or take their benefits as cash.

15 In addition to the above, there is an historic AVC arrangement with Legal and General covering a small number of members.

16 The Trustee reviewed the investment options for the DC and AVC sections in 2016 to ensure they best reflect members’ needs. Whilst the existing default fund (Balance Passive Lifestyle) was deemed appropriate for members targeting annuity purchase at retirement it was agreed to introduce two

additional lifestyle strategies which will aim to support those members who may wish to take their retirement benefits as a cash lump sum or through an income drawdown vehicle.

17 Where member options are permitted, the Trustee believes that the range of DC funds available allows members to create a portfolio that is appropriate for their own circumstances and risk profile.

18 If an EG&G DC member does not specify their own portfolio of assets then the default is for their contributions to be invested in the AEGON Balanced Passive Lifestyle fund.

Investment managers

19 The Scheme uses multiple managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question.

20 To maintain alignment, managers are provided with the most recent version of the Scheme's Statement of Investment Principles on appointment and as an when this Statement is updated.

21 Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager will be terminated and replaced.

22 The Trustee's policy is that day-to-day decisions relating to the investment of Scheme assets is left to the discretion of its investment managers. This includes consideration of all financially materially factors, including (but not limited to) those arising from ESG considerations, and explicitly including climate change where relevant. The Trustee explores these issues with its managers to understand how they exercise these duties in practice and receives reports on how these issues are addressed. The Trustee will monitor the performance of each manager relative to its benchmark.

23 When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with its investment consultant, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant. The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

24 The Trustee's policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investments to the investment managers. The Trustee recognises the UK Stewardship Code as best practice and encourages their investment managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy. The Trustee will monitor the activities of its managers on a regular basis with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings. However, the Trustee appreciates that its applicability may be limited for certain asset classes.

25 For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee invests in certain strategies (e.g. hedge fund strategies or government bonds) where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making. The appropriateness of the

Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

26 The Trustee's focus is explicitly on financially material considerations. The Trustee's policy at this time is not to take into account non-financially material considerations.

27 Investment Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. Fees linked to investment performance are only used where the Trustees determine that this is in the long term interests of the Scheme, taking into consideration the nature of the investment being considered.

28 The Trustee reviews the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Managing risk

29 The Trustee takes account of all financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which for the DC section and AVC funds, takes account of members' investment time horizons and objectives. In respect of the DB section, the Trustee's time horizon reflects the time horizon of the Sponsor's business and the Scheme's maturing liability profile. The Trustee considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of this broader risk management framework.

30 The Trustee recognises a number of risks involved in the investment of the Scheme's assets:

Risk	How is it monitored?	How is it mitigated?
Deficit	■ By assessing the progress of the actual growth of the liabilities relative to the selected investment policy	■ By setting an investment policy with appropriate regard to the expected risk and return relative to the expected growth of liabilities
Manager	■ Via the deviation of the return relative to the benchmark	■ Investing in mainly passively managed funds
Liquidity	■ By the level of cashflow required by the Scheme over a specified period	■ The Scheme's administrators assess the level of cash required to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity
Currency	■ Through the level of exposure to non-Sterling denominated assets	■ The risk of an adverse influence on investments from exchange rate movements is reduced by the diversification of foreign denominated assets across many currencies
Interest rate and inflation	■ By comparing the likely movement in the Scheme's liabilities and assets due to movements in inflation and interest rates	■ Holding assets that respond in a similar way to the liabilities to changes in inflation and interest rates
Sponsor	■ By receiving regular financial updates from the Employer and	■ Through an agreed contribution and funding schedule

Risk	How is it monitored?	How is it mitigated?
	periodic independent covenant assessments	
DC/AVC fund risk	■ Review of default arrangement and investment fund choice to ensure it meets members' risk profile and retirement needs	■ By offering a range of funds to members with different risk profiles and targeting different outcomes at retirement

Approved by the Trustee of the PerkinElmer (UK) Pension Scheme on 21 September 2020.