

B|Braun Sterilog Limited Pension Scheme

Statement of Investment Principles

Barnett Waddingham LLP

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the B|Braun Sterilog Limited Pension Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
- the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
 - the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and incorporates changes as required by The Pension Protection Fund (Pensionable Service).
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustees have consulted B|Braun Sterilog Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

2. Choosing investments

- 2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their manager against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme's assets is delegated to an investment manager. The Scheme's investment manager is detailed in the Appendix to this Statement. The investment manager is authorised and regulated by the Financial Conduct Authority and is responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustees are closely involved in the issues relating to overall investment strategy but are not involved in day-to-day decisions. In particular, the selection of particular investments is left to the investment manager.
- 2.4. The Trustees are aware that, when investing in managed funds, the suitability of a particular kind of investment is at the fund manager's discretion and this is taken into account when deciding on the appropriateness of a particular managed fund.
- 2.5. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment manager with respect to performance within any guidelines set. The Trustees will also consult the Principal Employer before amending the investment strategy.

3. Investment objectives

- 3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:
- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
 - to achieve a long-term positive real return;
 - to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
 - to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions, the cost of benefits which the Scheme provides;
 - to reduce the risk of the assets failing to meet the liabilities over the long term;
 - to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.
- 3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

- 4.1. Subject to the requirements of the Scheme's documentation and legislation generally, the Trustees are not restricted in the kind of investment they can make.
- 4.2. Investments in currencies other than Sterling are permitted. The Trustees may also invest in collective funds such as managed fund arrangements or units in unit trusts.
- 4.3. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.
- 5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.
- 5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

6.1. The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

<p>Risk versus the liabilities</p>	<p>The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.</p>
<p>Covenant risk</p>	<p>The creditworthiness of the Principal Employer and the size of the pension liability relative to the Principal Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.</p>
<p>Solvency and mismatching</p>	<p>This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.</p>
<p>Asset allocation risk</p>	<p>The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.</p>
<p>Investment manager risk</p>	<p>The Trustees monitor the performance of the Scheme's investment manager on a regular basis in addition to having meetings with the manager from time to time as necessary. The Trustees have a written agreement with the investment manager, which contains a number of restrictions on how the investment manager may operate.</p>
<p>Governance risk</p>	<p>The investment manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the manager's practices in their annual Implementation Statement.</p>
<p>ESG/Climate risk</p>	<p>The Trustees have considered long-term financial risks to the Scheme and Environmental, Social and Governance ("ESG") factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.</p>
<p>Concentration risk</p>	<p>The investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.</p>
<p>Liquidity risk</p>	<p>The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.</p>

Currency risk

The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.

Loss of investment

The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment manager.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustees monitor the performance of the investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's investment manager as frequently as is appropriate, in order to review performance.

8. Realisation of investments

- 8.1. The Trustees have appointed Legal and General Investment Management Limited ("the Platform Provider") to manage all of the assets of the Scheme. All decisions about the day-to-day management of the assets have been delegated to the Platform Provider via a written agreement, including the realisation of investments.
- 8.2. The Trustees have delegated the responsibility for buying and selling investments to the investment manager. The Trustees have considered the risk of liquidity as referred to above.
- 8.3. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

9.1. The Trustees have set policies in relation to these matters. These policies are set out in the Appendix.

10. Policy on arrangements with asset manager

Incentivising alignment with the Trustees' investment policies

- 10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.
- 10.2. The Trustees carry out a review of the Scheme's strategy typically every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints.
- 10.3. In the event that the investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be reviewed.
- 10.4. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.5. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.
- 10.6. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.7. The Trustees expect the investment manager to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

Method and time horizon for assessing performance

- 10.8. The Trustees monitor the performance of their investment manager over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.

- 10.9. The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.
- 10.10. The Trustees believe that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.11. The Trustees ask the Scheme’s investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

- 10.12. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the semi-annual investment monitoring process. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as Liability Driven Investment (“LDI”), a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.
- 10.13. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels.

Duration of arrangement with asset manager

- 10.14. All of the Scheme’s investments are in open-ended pooled funds and as such there are no pre-agreed timeframes for investment.
- 10.15. The suitability of the Scheme’s asset allocation and its ongoing alignment with the Trustees’ investment beliefs is assessed typically every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment manager, and the specific funds used, is assessed.

11. Agreement

- 11.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Principal Employer, the investment manager, the Scheme Actuary and the Scheme auditor upon request.

Signed:.....

Date:.....

On behalf of the B|Braun Sterilog Limited Pension Scheme

Appendix 1: Note on investment policy of the Scheme in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme’s liability profile, funding position, expected return of the various asset classes and the need for diversification.

Portfolio	Asset Class	Allocation (%)
Growth portfolio	Legal and General Investment Management (“LGIM”) Diversified Fund	20
	LGIM World Equity Index (MSCI) Fund (Currency Hedged) (“LGIM Equity Fund”)	10
Protection portfolio	LGIM Matching Core LDI Funds	36
	LGIM Absolute Return Bond Fund	19
	LGIM Future World Net Zero Buy & Maintain Credit Fund	15

Rebalancing and cashflow management

The Trustees recognise that the above allocation will vary over time as a result of market movements and disinvestment requirements.

The Scheme is invested in LGIM’s Matching Core Funds in an allocation which is designed to hedge approximately 100% of the interest rate and inflation risk of the Scheme’s funded liabilities. The value of these investments can change materially over time due to movements in long-term interest rates and market-implied inflation and will therefore deviate from the benchmark allocation set out in the table above. The Trustees should consider how any investments or disinvestments involving the LGIM Matching Core Funds will affect the level of interest rate and inflation hedging before taking action.

Therefore, through the normal course of events, cashflow management transactions will not be made using the LGIM Matching Core Funds unless a change in the hedging level is required, but may be deemed appropriate in other circumstances at the Trustees’ discretion. Any disinvestments or investments should be made, in the first instance, from/to the LGIM Absolute Return Bond Fund, followed by the LGIM Diversified Growth Fund and finally the LGIM Equity Fund, although all transactions are made at the Trustees’ discretion.

2. Choosing investments

The Trustees have appointed LGIM to manage the assets of the Scheme via a single policy through the Platform Provider. The investment manager is authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each fund are given below:

Investment Manger	Fund	Benchmark	Objective
LGIM	Diversified Fund	FTSE Developed World Index - 50% GBP Hedged	No official outperformance target
	World Equity Index (MSCI) Fund (Currency Hedged)	MSCI World Index – GBP Hedged	Track the performance of the MSCI World Index – GBP Hedged to within +/- 0.5% p.a. for two years out of three
	Absolute Return Bond Fund	ICE BofA 3 Month Deposit Offered Rate Constant Maturity Index	To exceed the benchmark by 1.50% p.a. over a rolling three year basis (before fees)
	Matching Core LDI	Bespoke liability profile benchmarks	To hedge a proportion of the Liability Cash Flows against changes in interest rates and inflation expectations.
	LGIM Future World Net Zero Buy & Maintain Credit Fund	No official benchmark	No official objective, the fund aims to produce a return derived from capital growth and income through investment in credit markets

The performance of the investment manager will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

Appendix 2: Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

1. Financially Material Considerations

The Trustees consider that factors such as ESG issues (including but not limited to climate change) will be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer.

The Trustees have elected to invest the Scheme's assets through pooled funds. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. The Trustees, and the manager of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment manager's ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment manager.

Realisation of investments: The Trustee will request information from investment manager about how ESG considerations are taken into account in decisions to realise investments.

The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment manager, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment manager takes account of ESG issues; and
- Through their investment consultant the Trustees will request that the Scheme's investment manager provides information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

2. Non-financially material considerations

The Trustees do not 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 of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

3. The exercise of voting rights

The Trustees policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment manager on the Trustees' behalf. In doing so, the Trustees expect that the investment manager will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment manager about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

The investment manager will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment manager. Where possible and appropriate, the Trustees will engage with their investment manager for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

4. Engagement activities

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment manager they provide their investment manager with a benchmark they expect them to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment manager's roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment manager's roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the manager invests on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

The Scheme's investment manager is granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

The Trustees expect their investment manager to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees, investment manager and the investee companies.

In selecting and reviewing their investment manager, where appropriate, the Trustees will consider their policies on engagement and how these policies have been implemented.

Appendix 3: Investment Manager Fee Arrangements

The fee arrangements with the investment manager is summarised below:

Investment manager	Fund	Annual Management Charge (%)
LGIM	Diversified Fund	0.240%
	LGIM Future World Net Zero Buy & Maintain Credit Fund	0.150%
	World Equity Index (MSCI) Fund (Currency Hedged)	0.115%
	Absolute Return Bond Fund	0.225%
	Matching Core LDI	0.162%

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are normally remunerated on a time-cost basis, although fixed fees may be agreed for specific tasks.