Watson-Marlow Defined Contribution Pension Plan

Statement of Investment Principles

September 2020

Table of Contents

This page is intentionally blank

Section 1: Introduction

Overview

1.1 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), trustees are required to prepare a statement of the principles governing investment decisions. Accordingly, the Trustees have prepared this document that describes their investment policies for the Watson-Marlow Defined Contribution Pension Plan ("the Plan").

1.2 The Trustees have consulted Watson-Marlow Limited ("the Employer") on the policies set out in this statement and will consult the Employer on any changes. However, the ultimate power and responsibility for deciding investment policies lies solely with the Trustees.

1.3 In preparing this document, the Trustees have obtained and considered written advice from the Plan's investment consultants, Towers Watson Limited ("Willis Towers Watson").

1.4 In addition, when preparing this statement and in conjunction with their investment consultants, the Trustees had regard to the requirements of Section 36 of the Pensions Act 1995, concerning the diversification and suitability of investments, and will consider those requirements when undertaking any review of this document or any change in their investment policies.

Financial Services and Markets Act 2000

1.5 In accordance with the Financial Services and Markets Act 2000, whilst the Trustees will set the Plan's general investment policy and will select the range of pooled investment funds in which members can invest, the selection of the specific investments held by each of the pooled investment funds selected by the Trustees will be delegated to each fund's appointed investment manager. In each instance, the appointed investment manager shall provide the skill and expertise necessary to manage the investments held.

1.6 Under Section 36 of the Pensions Act 1995, direct investment in such pooled investment funds are classed as retained investments and it is therefore the Trustees' policy to obtain appropriate written advice regarding the suitability of the Plan's pooled investment funds.

DC Code of Practice no. 13

1.7 When preparing this statement, the Trustees have considered the Pensions Regulator's DC Code of Practice No. 13 entitled *"*Governance and administration of occupational trust-based schemes providing money purchase benefits" ("the DC Code") and the accompanying 'how to guides'.

1.8 The DC Code sets out the legal requirements and expected standards of conduct and practice that the Pensions Regulator expects trustee boards of occupational pension schemes providing money purchase benefits to comply with in order to try and ensure good member outcomes. This document has been drafted taking account of the DC Code, specifically the recommendations relating to the content of statements of investment principles.

Plan details

1.9 The Plan operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries ("members"). The Plan provides a defined contribution pension arrangement for members where the benefits at retirement are determined by each member's accumulated assets within the Plan arising from contributions paid by both the members and the Employer as well as investment growth arising from the pooled investment fund(s) chosen by the members.

1.10 The Plan's assets are invested in a range of pooled investment funds via an insurance policy with Aviva Life and Pensions UK Ltd ("Aviva") and the Plan is therefore "wholly insured" for the purposes of regulation 8 of the Occupational Pension Scheme (Investment) Regulations 2005. The Trustees believe that this approach is in the best interests of the Plan's members but will periodically review this decision.

1.11 When choosing pooled investment funds from which members can select, the Trustees and each fund's investment manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Scheme (Investment) Regulations 2005 (as subsequently amended) and the principles contained in this statement.

Compliance with and review of this statement

1.12 The Trustees will refer to this document where necessary to ensure that they exercise their powers of investment in line with their policies set out in this statement.

1.13 The Trustees will review this statement, in consultation with their investment consultants, at least every three years, or without delay after any significant change in investment policy or change in legislation or regulatory guidance.

Section 2: Division of responsibilities

2.1 The Trustees have ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some of these responsibilities.

Trustees

2.2 The Trustees' investment responsibilities include:

- Reviewing and making changes to the content of this statement in consultation with the investment consultants and the Employer, and modifying it if deemed appropriate;
- Selecting the Plan's investment strategy, including agreeing the overall objectives for the investment options made available to members;
- Determining a default investment option for those members who do not choose their own investments and monitoring its continuing suitability and performance at least once every three years;
- Selecting the range of alternative (to the default investment option) pooled investment funds and investment options to be offered to members and monitoring their continuing suitability and performance;
- Approving relevant changes to the pooled investment funds and investment options, having taken advice from their investment consultants and consulted with the Employer;
- Monitoring compliance of the Plan's investment strategy with the policies set out in this statement.

2.3 The Trustees have reviewed the appointment of an investment committee and have decided to retain all investment governance within the full Trustee board for the time being, although the suitability of this arrangement will be reviewed from time to time. However, the Trustees recognise the need for appropriate, expert advice and they will seek regular training, and issue-specific advice, from their investment consultants as required.

Members

2.4 Members are responsible for:

- Keeping under review whether the default investment option is appropriate for them and if not, choosing to invest in the alternative pooled investment funds or investment options from the range provided by the Trustees;
- Reviewing their investment choices, along with their chosen level of contribution, from time to time to ensure they continue to meet their personal circumstances and retirement needs.

Administrators

2.5 The Plan is provided via a 'bundled' arrangement with Aviva under which it provides both administration services and the investment platform through which the Trustees can select pooled investment funds. In relation to its administration services, Aviva:

- Maintains accurate member records so that benefits can be paid accurately and on time;
- Allocates the contributions paid by the members and the Employer to each members' individual account as soon as practicable after receipt;
- Ensures that the Plan's pooled investment funds are priced correctly to the extent this is within its power to influence;
- Provides the Trustees with quarterly governance and investment performance reports for the pooled investment funds selected by the Trustees.

Investment Consultant

2.6 Following the publication of the CMA's final order (dated June 2019), the Trustees are required to set and keep under review strategic objectives for their investment consultants. Accordingly, the Trustees have agreed with their investment consultants that their primary strategic investment objectives (see also section 4 of this statement) for the Plan are to ensure that:

- Members have sufficient investment choices to satisfy their differing risk appetites and retirement goals;
- The Trustees' investment strategy (particularly the default investment option) remains appropriate as the membership of the Plan changes over time.

2.7 In order to help the Trustees meet their above objectives, their' investment consultants' responsibilities include:

- Supporting the Trustees in providing an appropriate range of investment options and pooled investment funds that enable members to tailor their own investment strategy to meet their own personal and financial circumstances;
- Undertaking a regular review (at least once every three years) of the Plan's default investment option to ensure that it remains appropriate for the Plan's membership;
- Assisting with the monitoring of the Plan's investment options and pooled investment funds and where agreed, assist with changes to the investment options, including the addition or replacement of pooled investment funds;
- Facilitating a review of the Trustees' investment governance arrangements as required;
- Supporting the Trustees on ad hoc investment matters as requested;
- Helping to maintain and providing advice consistent with this statement;
- Reflecting any Trustee specific investment beliefs and Plan specific circumstances in the advice provided.

Investment Managers

2.8 In relation to each pooled investment fund that is selected by the Trustees, the relevant underlying investment manager's responsibilities include:

- Making tactical asset allocation and security selection decisions in line with their pooled investment fund's prescribed benchmarks and/or performance objective;

- For passively manged pooled investment funds, tracking the allocated benchmark within acceptable tolerances;

- Informing the Trustees of any changes in their pooled investment fund’s prescribed benchmark and/or performance objectives as soon as practicable;

- The independent safekeeping of the assets held by their pooled investment fund as well as the appropriate administration, including income collection and corporate actions.

Section 3: Relationship with investment managers

Incentivising investment managers

3.1 Alignment between an investment manager's management of a pooled investment fund selected by the Trustees and their policies and objectives is a fundamental part of the selection process of a new pooled investment fund and its investment manager. However, as the Plan only invests in pooled investment funds via Aviva, the Trustees cannot directly influence or incentivise each fund's investment managers to align the management of their fund with the Trustees' own policies and objectives as set out in this statement.

3.2 The Trustees will therefore seek to ensure that the investment objectives and guidelines of the pooled investment funds that are made available to members are consistent with their own policies and objectives. As part of this, the Trustees will seek to understand each fund's investment manager's approach to sustainable investment and corporate governance.

3.3 The Trustees are responsible for monitoring the pooled investment funds and their respective investment manager. As part of this, the Trustees will regularly provide each fund's investment manager with the most recent version of this statement to ensure the investment manager is aware of the Trustee's expectations regarding how the Plan's assets are being managed.

3.4 Should the Trustees' monitoring processes reveal that a pooled investment fund's objectives and guidelines, or the investment manager's approach to sustainable investment, do not appear to be sufficiently aligned with this statement, the Trustees will try and engage with the investment manager to the extent possible to ascertain the reasons for this and whether closer alignment can be achieved. If this is not possible, the Trustees may look to replace the pooled investment fund.

Duration of investment manager appointments

3.5 The Trustees generally invests with a focus on long-term outcomes and do not look to change pooled investment funds on a frequent basis (although they could be replaced in a shorter timeframe due to significant changes – see paragraph 3.9). Accordingly, through Aviva, the Trustees select pooled investment funds and the fund's investment manager with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets.

3.6 For most of the Plan's pooled investment funds, the Trustees expect the fund's investment manager to invest with a medium to long time horizon. Therefore, when selecting pooled investment funds, the Trustees consider a variety of factors including the underlying investment manager's investment philosophy, and process, which the Trustees believe should include assessing the long term financial and non-financial performance of the companies in which the investment manager invests. The Trustees also consider the investment manager's voting and Environmental, Social and Governance policies and how it engages with the companies in which it invests as the Trustees believe that these factors can improve the medium to long-term performance of the pooled investment funds.

3.7 The Trustees monitor the investment managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustees expect the investment manager to make every effort to engage with the companies in which it invests and they believe the annual fee paid to the investment managers incentivises them to do this. However, the Trustees acknowledge that the investment manager's influence may be limited in some asset classes, such as bonds, as they do not have voting rights. The Trustees also acknowledge that in the short term, these policies may not improve the returns achieved by the pooled investment fund, but do expect that by investing in companies with better financial and non-financial performance over the long term, the pooled investment fund will provide better returns for members of the Plan.

3.8 For any of the pooled investment funds, should the Trustees' monitoring processes reveal that an investment manager's decision-making or engagement falls short of these expectations, the Trustees will try and engage with the investment manager to the extent possible to understand why and how this can be resolved. If this is not possible, the Trustees may look to replace the pooled investment fund.

3.9 When assessing a pooled investment fund and its investment manager's performance, the focus is on longer-term outcomes, and the Trustees would not expect to replace a pooled investment fund based purely on short term performance. However, a pooled investment fund could be replaced within a shorter timeframe due to other factors, such as a significant change in its investment objectives or a change in the fund's investment manager or investment team.

3.10 The Trustees review the performance of each pooled investment fund quarterly compared to its benchmark on a net of fees basis.

Charges and costs

3.11 Investment managers are paid a fee expressed as a percentage of assets managed, in line with normal market practice, for a given scope of services, which includes consideration of long-term factors and engagement.

3.12 The Trustees review the charges and costs incurred in managing the Plan's assets on a regular basis, which includes the costs associated with portfolio turnover (transaction costs). The Trustees define portfolio turnover as the average turnover of the portfolio expected in the type of strategy the investment manager has been appointed to manager. In assessing the level of the portfolio turnover costs for a particular pooled investment fund, the Trustees will have regard to the portfolio turnover costs for other equivalent pooled investment funds.

Section 4: Trustees’ objectives and managing risks

Trustees’ objectives

4.1 The Trustees’ primary investment objectives are to ensure that:

- They provide members of the Plan with a range of investment options and pooled investment funds to satisfy their differing risk appetites and retirement goals;
- Their overall investment strategy (particularly the default investment option) remains appropriate as the membership of the Plan changes over time.

4.2 The Trustees feel that meeting the above objectives will provide members with the opportunity to acquire assets of appropriate security and liquidity that will generate income and capital growth, which, together with new contributions from members and the Employer, will provide a fund at retirement with which to provide retirement benefits.

Managing risks

4.3 In determining which investment options and pooled investment funds to make available, the Trustees have considered the risks associated with providing pension benefits through a defined contribution pension scheme. In particular, the Trustees recognise that there is uncertainty in the ultimate amount available to each member to provide benefits on their retirement due to the following factors:

The level of contributions

The level of contributions paid and invested will depend on the Employer’s decisions on the Plan’s benefit design and the member’s own decisions about the amount to save for retirement.

The length of time that contributions are invested

The length of time over which contributions are invested will affect both the level of benefits on a member’s retirement and the uncertainty introduced by other factors. However, there is little control over the investment period since it is determined by each member’s date of joining the Plan and their date of leaving or retirement.

A member’s investment choice

Individual investment choices made by members will influence the level of benefits available on their retirement. Unless a member makes their own choice, their own and the Employer’s contributions will be invested in the Plan’s default investment option.

4.4 Whilst the Trustees recognise that the uncertainty inherent in the above three factors is not within their control, they seek to measure them by monitoring member choices and manage them through member education.

4.5 When deciding on the Plan’s overall investment strategy, namely the number and range of investment options and pooled investment funds to be made available to members, the Trustees take into account the key risks faced by members of the Plan, being:

- inflation risk,

- capital risk,
- pension conversion risk, and
- missed opportunity risk.

4.6 The Trustees' view is that these risks can be managed by the members through the investment option or the pooled investment fund or funds in which they choose to invest. The Trustees have therefore provided a range of investment options and pooled investment funds which they believe allow members to manage these risks (although the Trustees accept that the degree to which each fund actually mitigates against the relevant risk is difficult to measure).

4.7 A summary of the risks and the investment options and pooled investment funds available to help members mitigate against these risks is provided below.

Inflation risk

The risk that investments do not provide a return at least in line with inflation, so that the 'purchasing power' of the member's pension savings available to provide benefits is not maintained at retirement.

The Trustees provide members with a choice of passively managed equity funds as a means of managing this risk as they are expected to produce returns in excess of rates of salary and price inflation in the medium to long term (although capital values may be highly volatile in the short term).

The default investment option is also designed to manage this risk by investing in a global equity fund whilst members are more than 10 years from their retirement age.

Capital risk

The risk that the monetary value of a member's account falls, particularly as the member approaches their retirement age.

The Trustees provide members with a choice of passively managed bond funds as these are expected to be less volatile than equities although in turn, they are also expected to produce lower returns in the medium to long term.

The default investment option is also designed to manage this risk during the 10 years immediately preceding a member's retirement age.

Pension conversion risk

The risk that, for those members wishing to provide a fixed pension (annuity) on retirement, the value of their pension savings does not reflect the changing cost of purchasing an annuity as they approach their retirement age.

The Trustees provide members with a choice of passively managed bond funds to manage this risk as the value of investments in these funds are expected to broadly move in line with the price of annuities, providing some protection to the 'purchasing power' of a member's account as they near retirement.

The default investment option is also designed to manage this risk during the 10 years immediately preceding a member's retirement age.

Missed opportunity risk

The risk that members do not take enough risks when they are able.

The Trustees provide members with a choice of passively managed equity funds as a means of managing this risk.

The default investment option is also designed to manage this risk by investing in a global equity fund whilst members are more than 10 years from their retirement age.

Section 5: Investment options for members

5.1 Based on the characteristics of the Plan, the Trustees' objectives and the risks faced by members (as described in Section 4), the Trustees have selected a range of investment options and pooled investment funds for members.

5.2 When selecting the range of investment options and pooled investment funds to be made available to members, the Trustees obtain advice from their investment consultants on whether any investment option or pooled investment fund is suitable (as required by the Pensions Act).

The default investment option

5.3 The default investment option is the 'Default 10 Year Lifestyle Investment Programme' ("the Default Option"). The overall objective of the Default Option is to provide those members who do not actively make their own investment choice with an investment strategy that aims to provide:

- Long term growth whilst a member is more than 10 years away from retirement and can accept a medium to high level of risk;
- A reduction in risk as a member nears retirement whilst at the same time providing some protection against adverse movements in annuity prices during the 10 years immediately preceding a member's retirement age.

The Default Option aims to achieve the above objectives by investing in a number of funds selected by the Trustees as outlined below (see also Appendix A).

- Investing wholly in global equities whilst a member is more than 10 years from retirement, split 30% in the UK and 70% overseas. During this period the global equities are passively managed by BlackRock and the return is expected to be in line with a composite benchmark of 30% FTSE All Share Midday Index, 60% FTSE Developed ex-UK Midday Index and 10% MSCI Emerging Markets Index.
- During the 10 years immediately before a member's Normal Retirement Date (age 65) or alternative selected retirement age, gradually switching from an investment in global equities to a mixture of long dated corporate bonds, UK government index-linked gilts and cash, so that on retirement a member is invested 25% in cash with the balance split equally between corporate bonds and UK government index-linked gilts. In relation to this phase of the Default Option:
  - The corporate bonds are passively managed by BlackRock and the return is expected to be in line with the iBoxx £ Non-Gilts Over 15 Years Midday Index;
  - The UK government index-linked gilts are passively managed by BlackRock and the return is expected to be in line with the FTSE Actuaries UK Index-Linked Over 5 Years Midday Index;
  - Cash is managed by Aviva and the return is expected to be in line with the 7 Day London Interbank Bid Rate (LIBID).

5.4 The Trustees consider the above approach is currently in the best interests of those members investing in the default investment strategy because:

- It helps members manage inflation risk and missed opportunity risk whilst they are more than 10 years away from their retirement age;
- During the last review of the Default Option (in 2018), an analysis of the membership indicated that members of the Plan were most likely to purchase an annuity on retirement and the Default Option therefore helps members manage pension conversion risk during the 10 years leading up to their retirement age.

The alternative lifestyle option

5.5 Members have the option of investing in an alternative 10 Year Lifestyle Investment Programme. This lifestyle strategy mirrors the Default Option except that whilst members are more than 10 years from their retirement age, they are invested wholly in global equities, split 50% in the UK and 50% overseas. During this period the global equities are passively managed by BlackRock and the return is expected to be in line with a composite benchmark of 50% FTSE Custom All Share Midday Index, 17% FTSE Custom USA Midday Index, 17% FTSE Custom Developed Europe ex-UK Midday Index, 8% FTSE Custom Japan Midday Index and 8% FTSE Custom Developed Asia Pacific ex-Japan Midday Index.

The self-select fund range

5.6 The Trustees offer members a selection of pooled investment funds with the following underlying investment managers:

- BlackRock (via Aviva Investors investment funds); and
- Aviva Investors

5.7 The range of self-select pooled investment funds, including their objectives, benchmarks and expected returns, are shown in Appendix B.

The review of investment options

5.8 The range of investment options and pooled investment funds will be regularly reviewed.

The realisation of investments

5.9 Members' pension savings are held in pooled investment funds, with daily liquidity, through an insurance policy which can be realised to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

Section 6: Corporate governance and socially responsible investment

6.1 As part of the Trustees' management of risks and in consultation with their investment consultants, the Trustees consider all financial risks and opportunities, which are considered for materiality and impact, taking into account members' investment time horizons and objectives. Financially material factors include but are not limited to sustainable investment factors, such as those arising from Environmental, Social and Governance (ESG) considerations, including climate change.

6.2 The assets of the Plan are invested in pooled investment funds via Aviva, the Plan's administrators and investment platform provider. As such, the Trustees cannot directly influence ESG considerations in the selection, retention and realisation of each pooled investment fund's underlying investments. Consequently, the day to day management of the investments held by each of the pooled investment funds selected by the Trustees is delegated to each fund's investment manager and this includes consideration of all financially material factors, including ESG and climate change related issues where relevant.

6.3 In addition, the exercise of the Plan's corporate governance powers, including voting rights in relation to the companies in which the pooled investment funds invest as well as engagement activities in relation to the capital structure of investee companies, actual and potential conflicts of interest and the interests of other stakeholders, are delegated to and carried out by each fund's investment manager. However, the Trustees recognise the UK Stewardship Code as best practice and encourage Aviva and where possible, each fund's investment manager, to comply with this code or explain where they do not adhere to this policy.

6.4 When considering the selection of new pooled investment funds, and when reviewing existing pooled investment funds, the Trustees, together with their investment consultants, look to take account of the approach taken by the fund's investment manager with respect to sustainable investing, including voting policies and engagement where relevant.

6.5 At present, the Trustees do not explicitly take into account non-financial matters, such as the views' of members, in relation to the management of the Plan's assets.

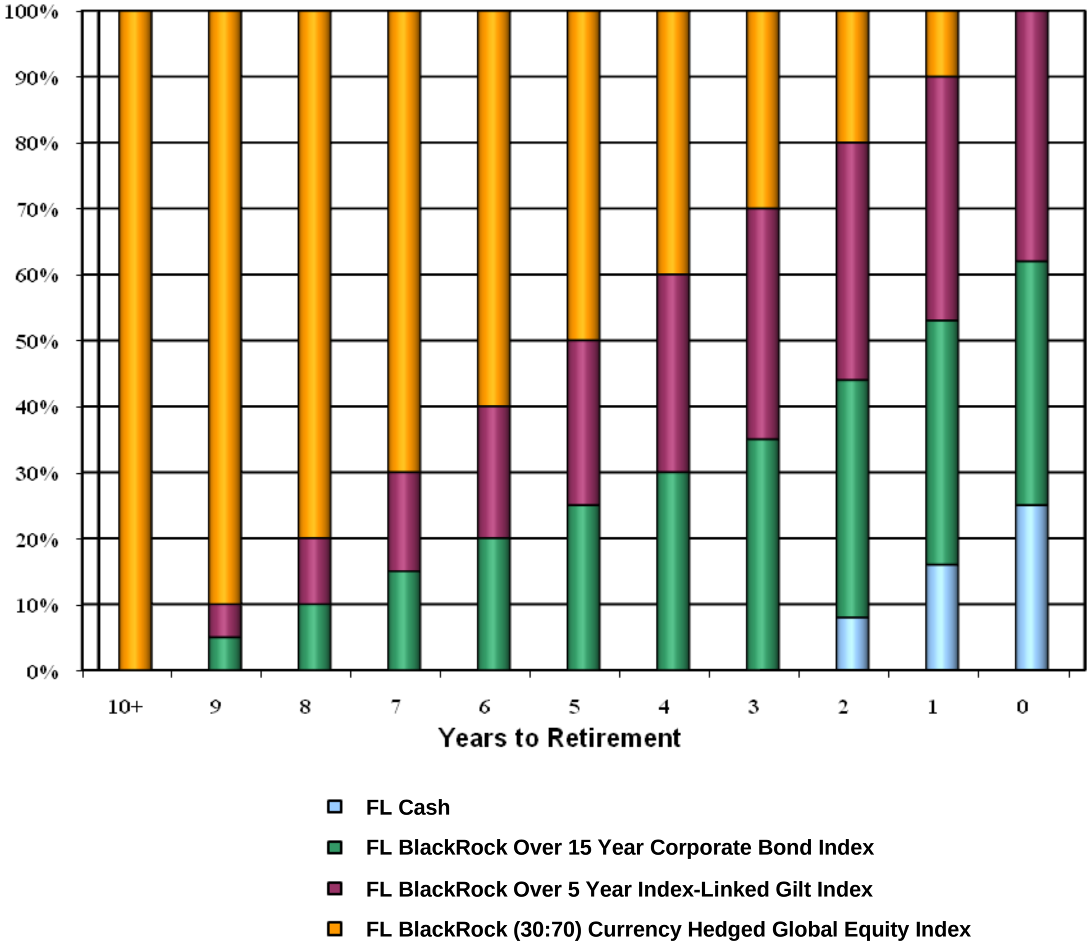
Section 7: Review of Statement

7.1 This statement will be reviewed regularly (at least every three years) but otherwise whenever the Trustees need to consider the implications of a major change. When undertaking a review, the Trustees take into account:

- Any change in the Employer or benefits provided by the Plan;
- Any significant change in the Plan's membership;
- Significant changes to the expected long-term trade-off between risk and reward on key asset classes;
- Any major development in available pooled investment funds or products;
- Any shortcomings of this statement that emerge in its practical application;
- Any significant change in the Trustees' investment policy or objectives,
- Applicable changes in legislation or regulatory guidance.

Appendix A: Default Option

The matrix for the Default 10 Year Lifestyle Investment Programme is provided below: The chart shows the percentage distribution of a member's investment between the component funds at various time periods from the member's selected retirement age.



Appendix B: Self-select fund range

Fund	Investment Manager	Typically invests in	Objective and expected return	Benchmark	Annual charge*
Equity funds					
AP BlackRock (30:70) Currency Hedged Global Equity Index	BlackRock	30% UK equities 60% overseas equities split between US, Japan, Europe (ex UK) and 10% Asia Pacific and Emerging Markets	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	Composite	0.63%
AP BlackRock (50:50) Global Equity Index	BlackRock	50% UK equities 50% overseas equities split between US, Japan, Europe (ex UK), Emerging Markets and Asia Pacific	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	Composite	0.6%
AP BlackRock UK Equity Index	BlackRock	100% UK equities	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	FTSE Custom All-Share Midday Index	0.6%
AP BlackRock World (ex UK) Equity Index	BlackRock	100% overseas equities split between US, Japan, Europe and Asia Pacific	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	FTSE Custom Developed ex-UK Midday Index	0.6%
Bond funds					
AP BlackRock Over 15 Year Gilt Index	BlackRock	100% long dated UK government bonds	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	FTSE Actuaries UK Conventional Gilts Over 15 Years Midday Index	0.6%

Fund	Investment Manager	Typically invests in	Objective and expected return	Benchmark	Annual charge*
AP BlackRock Over 5 Year Index-Linked Gilt Index	BlackRock	100% over 5-year UK government index-linked bonds	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	FTSE Actuaries UK Index-Linked Over 5 Years Midday Index	0.6%
AP BlackRock Over 15 Year Corporate Bond Index	BlackRock	100% long dated corporate bonds	Aims to track and therefore provide a return within acceptable tolerances of its benchmark	iBOXX £ Non-Gilts Over 15 Year Midday Index	0.6%
Cash funds					
AP Cash	Aviva Investors	100% cash	Aims to provide short-term liquidity by investing in money market instruments, bonds and cash	7 day LIBID	0.6%

* includes additional expenses