STATEMENT OF INVESTMENT PRINCIPLES

VWRI UK Pension Scheme

August 2020

Introduction

This document contains the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004 (the "Act"), for the VWRI UK Pension Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustee of the Scheme and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

VWRI Pension Trustees Ltd ('the Trustee') is responsible for the investment of the Scheme's assets and arranges administration of the Scheme. Where it is required to make an investment decision, the Trustee always receives advice from the relevant advisers first and it believes that this ensures that it is appropriately familiar with the issues concerned.

Declaration

The Trustee confirms that this SIP reflects the principles governing how decisions about investments are made for the Scheme. The Trustee acknowledges that it is responsible, with guidance from the advisers, for ensuring the assets of the Scheme are invested in accordance with these Principles.

Scheme Governance

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Implementation Manager, Investment Managers or its advisers as appropriate.

Investment Objectives

- The principal objective of the Trustee is to invest the assets of the Scheme to meet its liabilities when they fall due.

- The investment strategy of the Scheme is managed and monitored using a Pensions Risk Management Framework (PRMF) which outlines the funding objectives and risk constraints set by the Trustee. The PRMF is reviewed and monitored by the Trustee on at least a quarterly basis including the expected return on assets as provided by the investment consultant.

- The Trustee's primary funding objective for the Fund is to reach full funding using a liability discount rate of Gilts + 50 bps by 2026 while ensuring the investment strategy does not risk the funding level falling by more than 10% in a 1-in-20 downside scenario over the next year, i.e. a risk budget of 10% on a funding-ratio-at-risk (FRaR) basis.

- In setting the investment strategy, the Trustee aim to:

    - Target an expected return on assets close to the return required to meet the funding objective.

    - Manage the investment risk including that arising due to mismatch between assets and liabilities and limit the total risk on the Scheme below the 10% FRaR risk budget set in the PRMF.

    - Maintain suitable liquidity of assets such that the Scheme is not forced to buy and sell investments at particular times to pay member benefits or meet potential collateral calls.

Investment Managers

- The Trustee delegates the day-to-day management of the assets to the appropriate investment managers.

- Investment Managers are carefully selected by the Trustee to manage each of the underlying mandates following guidance and written advice from its investment consultant.

- The Scheme pays an annual fee to each manager which along with the mandate's performance targets, benchmarks and restrictions are set out in the respective Investment Management Agreements or pooled fund documentation where applicable.

- The Trustee assesses the managers' performance regularly against a benchmark appropriate to each manager, taking into account the level of risk taken by each manager. To assist the Trustee in assessing performance the investment consultant will provide relevant reporting on a quarterly basis. As part of this process, the Trustee has delegated the detailed monitoring of the Scheme's investment managers to its investment consultant.

- From time to time managers and/or mandates are changed and this is done after due consideration and the receipt of appropriate advice from an investment consultant.

Investment Strategy

Having considered advice from its advisers, and also having due regard for the objectives, the liabilities of the Scheme, the risks of and to the Scheme and the covenant of VWR International Ltd ('Sponsor'), the Trustee has adopted an appropriate investment strategy. The investment strategy is driven by the objectives and constraints from the Pension Risk Management Framework, which helps balance the risks and returns required to reach full funding.

This investment strategy is designed to ensure two criteria are met:

- **Diversification**

  The choice of investments is designed to ensure that the Scheme's investments are adequately diversified given the Scheme's circumstances. The Trustee will monitor the strategy regularly to ensure that they are comfortable with the level of diversification.

- **Suitability**

  The Trustee has taken advice from the advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its liability profile, any legal requirements, regulatory guidance and specifications in the Trust Deed.

Monitoring

Investment Managers

Due to the benefits of cost and ease of implementation, it is the Trustee's preference to invest in pooled investment vehicles. The Trustee recognizes that due to the collective nature of these investments, there is less scope to directly influence how the asset manager invests. However, the Trustee's investment advisers ensure the investment objectives and guidelines of the manager are consistent with that of the Trustee.

When relevant, the Trustee requires its investment managers to invest with a medium to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes. For some asset classes, the Trustee does not expect the respective asset managers to make decisions based on long-term performance. These may include investments that provide risk reduction through diversification or through hedging, consistent with the Trustee's strategic asset allocation.

When assessing a manager's performance, the focus is on longer-term outcomes and is assessed over a medium to longer-term timeframe, subject to a minimum of three years. 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 than three years due to other factors such as a significant change in business structure or the investment team.

Managers are paid an ad valorem fee for a defined set of services. The Trustee reviews the fees annually to confirm they are in line with market practices.
The Trustee reviews the portfolio transaction costs and portfolio turnover range of managers annually, where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations.

SIP

The Trustee aims to review this SIP annually, or, without delay, following any changes to the investment strategy, and modify it with consultation from their advisers and the Sponsor if deemed appropriate. There will be no obligation to change this SIP as part of such a review.

Risks

The Trustee recognises there are a number of risks involved in investing the assets of the Scheme. These include (but are not limited to) deficit risk, manager risk, liquidity risk, currency risk, interest rate and inflation risk, political risk, sponsor risk and counterparty risk. The Trustee monitors and manages these risks through measures specific to each risk.

The Trustee will keep these risks and how they are measured and managed under regular review.

Other Issues

Statutory Funding Objective

The Trustee will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements.

The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustee will consider with their advisers, whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding objective.

Responsible Investment

Environmental, Social and Governance Factors ("ESG")

The Trustee incorporates all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible.

The Trustee believes that environmental, social and governance factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme, and should be considered as part of the investment strategy and implementation decisions. This will have varying levels of importance for different types of assets invested in by the Scheme.

On an ongoing basis, the Trustee's investment consultant monitors each asset manager's approach to ESG and regularly reports on this to the Trustee.

When investing in new asset classes, the Trustee assesses, with advice from their advisers, the relevance of ESG-related risks and the most appropriate way to ensure that they are incorporated into the mandate.

Non-financial factors, including ethical views of beneficiaries and members, are not taken into account in investment decision making.

Stewardship

The Trustee recognizes that good stewardship practices, including engagement and voting activities are important as they help preserve and enhance asset owner value over the long-term.

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers.

The Trustee expects their investment managers to practice good stewardship. This includes monitoring, engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social or governance considerations, and using voting rights to effect the best possible long-term outcomes.

The Trustee's investment advisors assess the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments, and reports to the Trustee on an annual basis covering how the investment managers have acted in line with this policy.

When selecting, monitoring and de-selecting asset managers, stewardship is factored into the decision-making process to the appropriate level for the specific asset class in question.

Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Scheme's equity investments, which are exercised by the asset managers of the Scheme. The Trustee monitors and discloses the voting records of its managers on an annual basis.