Mettler Toledo Pension Scheme

Statement of Investment Principles for the Defined Benefit Section

23/02/2023

Contents

1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the Defined Benefit section of the Mettler Toledo Pension Scheme (the Scheme).

The Scheme has two sections, a Defined Benefit Section and a Defined Contribution Section, set up under trust and registered with HM Revenue and Customs (HMRC). Aviva is the investment provider for the Defined Contribution section of the Scheme, who can be contacted for further information. The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustee's Statement of Funding Principles.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

A copy of this Statement will be made available to Scheme members on request to the Trustee or online.

2 Investment Decision Making

The investment of the Scheme's assets is the responsibility of the Trustee. The Trustee's investment powers are set out in Clause 7 of the Scheme's Definitive Deed, dated 26/04/1991, as amended. The powers granted to the Trustee under this Clause are wide and this Statement is consistent with those powers.

The Trustee has obtained and considered professional advice on the content of this Statement from Broadstone Consultants & actuaries Limited (Broadstone), its appointed investment adviser. Broadstone is authorised and regulated in the UK by the FCA. Broadstone has confirmed to the Trustee that it has the appropriate knowledge and experience to give the advice required under legislation. Broadstone is remunerated, a fee for its advice and its appointment is reviewed from time to time by the Trustee.

The Trustee has also consulted the Principal Employer, Mettler Toledo Limited, when setting its investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustee. The Trustee will obtain such advice as it considers appropriate and necessary whenever it intends to review or revise this Statement.

3 Investment Objectives

In determining their investment objectives and strategy, the Trustee has considered the strength of the Principal Employer's willingness and ability to support the Scheme. They have determined that it is reasonable to take a long-term view in determining their investment objectives and strategy.

The Trustee has also agreed that the funding position, measured on a solvency basis is the assessment of scheme funding that is of most importance to the Trustee, the Principal Employer and members, as it determines the Scheme's funding requirements and members' long-term benefit security.

The Trustee's investment objectives are as follows:

- To ensure that the assets are of a nature to enable the Trustee to meet the Scheme's benefits as they fall due.
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustee's funding plan have a reasonable chance of being achieved in practice.
- To target a level of hedging of 100% against the interest rate risk and inflation risk associated with the Scheme's funded liabilities on a solvency basis (or asset value where the Scheme is in surplus).

Where future opportunities arise the Trustee will consider steps to further reduce the volatility of the Scheme's funding position relative to its liabilities calculated under the solvency basis.

The Trustee will also have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

4 Setting the Investment Strategy

Details of the investment strategy are set out in the Appendix to this Statement.

The Trustee's policies in setting the investment strategy are set out below:

Policy	
Selection of Investments	The Trustee may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure. The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level. The Trustee may also: • Invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments. • Hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it. • Hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.
Target Asset Allocation	The Trustee will set a Target Asset Allocation from time to time, determined with the intention of meeting its investment objectives. The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustee's view of the Principal Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment. The Trustee has agreed the range of funds to be used in the investment strategy, taking into account the maturity of the Scheme's liabilities, and to ensure the range is sufficiently robust to allow easy adjustment between the funds as the Trustee's risk appetite changes and the Scheme matures
Delegation to Investment Managers	The Trustee will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.
Maintaining the Target Asset Allocation and Target Hedging Ratios	The Trustee has responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustee monitors the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should the allocation move significantly away from the Target Asset Allocation or Target Hedging Ratios. Maintaining the Target Hedge Ratios will take precedence over maintaining the Target Asset Allocation.

Policy	
Employer Related Investments	The Trustee's policy is not to hold any employer related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.

The Trustee has decided to invest in pooled funds because:

- the Scheme is not large enough to justify direct investment in equities or bonds on a cost-effective basis;
- pooled funds allow the Scheme to invest in a wider range of assets which serves to reduce risk; and
- pooled funds provide a more liquid form of investment than certain types of direct investment.

5 Realisation and Rebalancing of Assets

The assets are held in a combination of pooled corporate bond and gilt funds and are fully and readily realisable.

The Trustee makes disinvestments from the Investment Manager with the assistance of its administrators, Broadstone, as necessary, to meet the Scheme's cashflow requirements.

The strategy allows for cash to be realised without ad hoc investments being made, however, should additional cash be required to source unexpected outgo, advice will be sought from Broadstone.

6 Expected Returns

The Trustee's objective is for the Scheme's assets to produce a return in excess of the growth in the value of its solvency liabilities. The Trustee expects the assets to produce a return in excess of the long-term growth in the value of the solvency liabilities.

Over the long-term, the Trustee's expectations are to achieve the following rates of return from the asset classes it makes use of:

Asset Class	Expected Returns
Corporate bonds	To achieve a long-term return in excess of the yield available on a comparable portfolio of UK gilts to compensate for the additional risk associated with investing in a diversified portfolio of corporate bonds.
Government bonds	To achieve a long-term return in line with the yield available on a comparable portfolio of UK gilts or index-linked gilts.

The overall asset class strategy has an allocation of 40% to investment grade corporate bonds and 60% to gilts. Corporate bonds are assumed to deliver a return in line with gilt yields plus

1.5% per annum. The ratio of the types of assets allocated in the current strategy would imply a best estimate expected return of approximately 0.6% per annum above the return on gilts. This best estimate expected return should allow the assets to grow quicker than the solvency liabilities over time.

7 Risks

The Trustee has considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, manager risk and currency risk, and consider that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the strength of the Principal Employer's covenant.

The Target Asset Allocation has been determined with due regard to the characteristics of the Scheme's solvency liabilities.

The calculation of the Scheme's solvency liabilities uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest and index-linked government bonds. This means that the solvency liabilities are sensitive to changes in the price of these assets as market conditions vary, and can have a volatile value.

The Trustee accepts that its investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustee also accepts that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's solvency liabilities.

The Trustee invests in a wide range of corporate and government bond holdings through the pooled funds and strategies they use and consider the Scheme's bond strategy to be well diversified.

The Trustee will monitor the investment, covenant and funding risks faced by the Scheme with the assistance of their investment advisers and the Scheme Actuary at least every three years. The Trustee will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustee will review wider operational risks as part of maintaining their risk register.

8 Security of Assets

The day-to-day activities that the Investment Manager carries out for the Trustee are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safe-keeping of the Scheme's assets held with the Investment Manager is performed by custodians appointed by them.

The Trustee has considered the security of the Scheme's holdings with the Investment Manager, allowing for its status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.

9 Responsible Investment & Stewardship

The Trustee believes that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as a responsible asset owner.

The Scheme is also comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustee therefore does not explicitly seek to reflect any specific views through the implementation of the investment strategy, both financial and non-financial.

The Trustee's policies in respect of responsible investment are set out below:

Policy	
Financially Material Considerations	The Trustee recognises that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Managers. The Trustee has an expectation that the Investment Manager will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustee takes the view that this falls within their general approach to ESG issues. The Trustee regards the potential impact of climate change on the Scheme's assets as a longer-term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustee will continue to monitor market developments in this area with its investment adviser.
Non-Financially Material Considerations	Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects the Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.

Policy	
Engagement	The Trustee's engagement policy is to use its investments to improve the Environmental, Social and Governance behaviors of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustee believes that having this policy, and aiming to improve how companies behave in the medium and long term, are in the members' best interests. The Trustee will aim to monitor the actions taken by the investment manager on its behalf and if there are significant differences from the policy detailed above, it will escalate any concerns which could ultimately lead to disinvesting their assets from the manager.
Capital Structure of Underlying Companies	Responsibility for monitoring the capital structure of investee companies is delegated to the Investment Manager. The Trustee expects the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.

The voting policies of BlackRock, as the Investment Manager, can be found at the following website:

www.blackrock.com/corporate/about-us/investment-stewardship

The Trustee's views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Active/Passive Managed	ESG Views
Corporate Bonds	Active	The Trustee expects the investment manager to take financially material ESG factors into account, given the active management style of the funds and their specific ESG focus.
Government Bonds	Active	The assets consist of government bond funds, with no underlying investee companies as such. Therefore, the Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

The Trustee will review the stewardship policies/review whether their stewardship policies are aligned of any new investment managers appointed, as well as assessing the stewardship and engagement activity of the current Investment Manager on an ongoing basis.

10 Conflicts of Interest

The Trustee maintains a separate conflicts of interest policy and a conflicts register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for their management.

11 Duration of Investment Arrangements

The Trustee is a long-term investor and has not set an explicit target to review the duration of its arrangements with the investment manager. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.

12 Incentivisation of Investment Managers

The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustee does not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustee's policies and objectives. Instead, the Investment Manager is selected so that, in aggregate, the risk-adjusted returns produced are expected to meet the Trustee's objectives.

Neither does the Trustee directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or engage with those issues to improve their performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

13 Portfolio Turnover Costs

The Trustee expects the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustee therefore does not set a specific portfolio turnover target for its strategy or the underlying funds.

The Investment Manager provides information on portfolio turnover and associated costs to the Trustee so that this can be monitored, as appropriate.

14 Monitoring

The Trustee employs Broadstone to assist in monitoring the performance of the Scheme's investment strategy and Investment Manager.

The Trustee also receives quarterly reports from the Investment Manager and meets with its representatives periodically to review their investment performance and processes.

The Investment Manager will supply the Trustee with sufficient information each quarter to enable it to monitor financial and non-financial performance. The Trustee and Broadstone will monitor the Investment Manager's performance against their performance objectives.

The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

The Trustee will consider on a regular basis whether or not the Investment Manager and AVC provider remain appropriate to continue to manage the Scheme's investments and AVCs.

15 Review of Statement

The Trustee will review this Statement if there is a significant change in the Scheme's investment strategy or a significant change in the regulations that govern pension scheme investment.

For and on behalf of the Mettler Toledo Pension Scheme

Date: 22 March 2023

Appendix A Investment Strategy Implementation Summary

A.1 Target Asset Allocation

The Target Asset Allocation for the Scheme's assets is as follows:

Asset Class	Target Asset Allocation
Corporate bonds	40%
Government bonds	60%
Total	**100.0%**

The balance between the government bond allocation (comprising gilt funds and index-linked gilt funds) and investment grade corporate bond funds will vary over time. The target is indicative only and the underlying objective for these assets will be to maintain the target hedging levels, which protect against changes in long-term interest rates and inflation expectations. The target asset allocation represents a hedging solution which provides a 100% hedge against interest rates and inflation risk, whilst also providing a reasonably close match to the sensitivity of the liabilities to changes in interest rates (duration of the liabilities).

A.2 Investment Manager

The Trustee entered into a contract with the Investment Manager, BlackRock, on 2 May 2008. The Investment Manager undertakes day-to-day investment management of the Scheme's assets. The Investment Manager is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

A.3 Strategies and Funds

The Trustee uses the following funds operated by the Investment Manager:

	31 Dec 2022	Allocation	Target
Hedging Assets			
Corporate Bonds			
Buy and Maintain ESG Vintage 2020-2024 Fund	£1,933,519	40.7%	40.0%
Buy and Maintain ESG Vintage 2025-2029 Fund	£4,812,890		
Buy and Maintain ESG Vintage 2030-2035 Fund	£5,289,020		
Buy and Maintain ESG Vintage 2035-2039 Fund	£2,598,030		
Gilts			
Aquila Life Over 15 Years UK Gilt Index Fund	£14,272,570	59.3%	60.0%
Aquila Life Over 25 Years Index-Linked Gilt Index Fund	£7,070,750		

TOTAL INVESTED ASSETS	**£35,976,789**	**100.0%**	**100.0%**

A.4 Target Hedging Ratios

The target hedging ratios against the interest rate risk and inflation risk associated with the Scheme's funded solvency liabilities (or asset value where the Scheme is in surplus) are summarised below:

	Target Hedging Ratio
Long-term interest rates	100%
Long-term inflation expectations	100%

A.5 Fund Performance Benchmarks and Objectives

The corporate bond fund, gilt fund and index-linked gilt fund are index-tracking funds, meaning that their objective is to track the total return on a specified market index within an agreed margin over a specified timescale. The benchmarks for these funds are given below:

Fund	Benchmark
Aquila Life Over 15 Years UK Gilt Index Fund	FTSE Actuaries UK Conventional Gilts over 15 Years Index
Aquila Life Over 25 Years Index-Linked Gilt Index Fund	FTSE Actuaries UK Index-Linked Gilts over 25 Years Index
Buy and Maintain ESG Vintage 2035-2039 Fund	See below

A.6 BlackRock Buy & Maintain ESG Vintage Pooled Fund

The fund range has an objective to capture the yield on a diversified portfolio of (predominantly) investment grade corporate bonds by avoiding defaults and/or material downgrades. Given the objective, the funds do not have specific performance benchmarks, however, a range of appropriate metrics can be used to monitor the funds over time (e.g. credit quality, turnover, diversification by sector/region, etc). We note that each fund invests in a diversified portfolio of corporate bonds, which can be used to broadly match changes in the value of a scheme's liabilities due to changes in long-term interest rates, while generating cashflows which can help to meet the scheme's benefit outgo. Cashflows are distributed on a quarterly basis.

A.7 Investment Management Charges

The annual management charges for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge
Aquila Life Over 15 Years UK Gilt Index Fund	0.08% p.a.
Aquila Life Over 25 Years Index-Linked Gilt Index Fund	0.08% p.a.
Buy & Maintain ESG Vintage Funds	0.09% p.a.

The strategy has an annual management charge of 0.08% per annum based on total investments as at 31 December 2022.

A.8 Additional Voluntary Contributions (AVCs)

Members' Additional Voluntary Contributions ("AVCs") are invested in with-profits and unit linked contracts with Aviva, Clerical Medical and Utmost.