

DELBANCO MEYER & CO LTD RETIREMENT BENEFIT SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

1. Introduction

The Delbanco Meyer Retirement Benefit Fund ('the scheme') is administered by Aviva Servicing Ltd ('AV'). This Statement of Investment Principles ('SIP') has been prepared by the scheme trustees having held consultations with Delbanco Meyer ('the employer').

2. Advisers

The trustees obtain appropriate expert, professional advice as and when necessary from their advisers KPMG Pensions LLP and the scheme actuary Mr Keith Mitchell FIA of Capita. The trustees have appointed RBC Wealth Management ('RBC') to hold equity investments on behalf of the pension fund and to provide a dealing with advice service. Advisers to the Company on pension matters are First Actuarial LLP and on legal matters are Addleshaw Goddard

3. Funding Policy

The primary objective of the scheme is to provide for members' pension and lump sum benefits on their retirement, or for their dependants' benefits on death before or after retirement, on a defined benefit basis.

The funding policy is based on advice received from the scheme actuary after each Triennial actuarial valuation and at other times if necessary. The policy is that over the long term all accrued benefits should be covered by the scheme's assets, and that in order to secure this objective an appropriate level of employer contributions should be agreed and an appropriate investment policy should be followed.

4. Investment Policy

The majority of the assets of the scheme have been held for many years in a Deposit Administration Contract known as the DA77 pension plan. The DA77 is managed by AV. AV are also the administrators of the scheme. AV have a good reputation and have considerable experience and expertise in the management of funds and so the trustees have delegated the management of the investment to them. The scheme funds are invested in the With Profits Fund. This fund invests in a wide range of assets: UK shares and property, fixed interest (such as government and corporate bonds), and the money market. Its aim is to achieve long-term growth from the major investment sectors in the UK and overseas and it also aims to smooth out the ups and downs in performance of the assets invested in by declaring a bonus each year in respect of each year that funds have been invested. The trustees do not have (and are not permitted to have under the DA77 arrangement) any involvement in the selection of the investments as the DA77 is entirely managed by AV and therefore the trustees have no direct contact with the investment managers at AV. The trustees have given consideration to whether it is best to remain in the DA77 arrangement or to move the funds into an alternative managed investment fund and have undertaken to get advice from their advisers on this. The trustees have reviewed the level of returns and bonuses received annually on the DA 77 fund and have concluded that it is sensible to remain invested in this fund. The investment return achieved on the DA77 in the year to 30/6/19 from the declared bonus was 10%pa. The trustees have concluded that the steady returns being achieved from the investment in the DA77 fund compare favourably with more risky alternatives.

The trustees have also made investments in blue chip equity stocks with above average dividend yields having taken some advice from RBC. These investments are periodically reviewed by the trustees and changes made where appropriate to try and secure improved overall returns. Following the market decline in the wake of the Covid pandemic the RBC investments achieved a negative return of 8.5% in the year to 30/6/20. This compared with a negative return over the same period of 16.9% in the FTSE 100 index.

In the longer term the trustees policy is to seek to match the choice of investments with the liability profile.

5. Expected Return on Investments

The trustees monitor the investment return by reviewing the bonus rates declared each year in respect of each year that funds have been invested. Having reviewed these rates over time the trustees have concluded that these bonus rate on the DA77 have in the past been comparable or better compared with the alternative strategy of active management and selection of investments.

The most recently reviewed rate on the DA77 fund was the bonus declared for 2019 declared in July 2020 which was 10% (which included 6% provided from surplus assets with the sub fund).

The trustees are open to considering investing funds in suitable alternative investments to the DA77 contract provided that such investments are in the best interests of scheme members and beneficiaries and appropriate to the nature and duration of the expected future retirement benefits payable under the scheme.

6. Risk

The trustees have tried to minimise risk in the past by the selection of the DA77 contract as the investment vehicle. Although the trustees recognise that the DA77 is now a relatively old fashioned investment vehicle which is used by very few other DB schemes they believe that the bonus rates declared on the policy over time have been satisfactory. However they are open to consideration of other investment strategies provided that they are selected in a manner calculated to ensure the security, quality, liquidity and profitability of the scheme's investments.

7. Monitoring

The bonus rates are declared by AV on an annual basis and reviewed by the trustees.

The trustees also undertake to review the investment strategy on a regular basis and to actively compare the returns achieved with other investment funds.

8. Responsible Investment including social, environmental and ethical considerations

The trustees believe that AV exercise due care and attention in their selection of assets to invest in and operate in an ethical and socially responsible way but under the DA77 the trustees have no involvement in the selection of investments made by AV. The scheme is not in a position under the DA77 contract to exercise rights (including voting rights) attaching to the asset investments in all quoted companies. For the equities held by RBC the trustees have delegated such matters to the investment manager

9. Realising Investments

A breakdown of the assets held at 31/3/20 (excluding the annuity policies bought for pensioners to match their pensions payable) is as follows:

Asset type	£'000	%
DA77 Contract - see split below	11575	92.9
Equities at RBC	677	5.4
Annuity policy on G Meyer life at Reassure	180	1.4
Cash	27	0.3
Total	12459	100

The investments held in the DA77 contract can be realised at any time by obtaining an exit surrender value from AV. The equities are all traded on the London Stock exchange and are readily realisable. The annuity policy at ReAssure could be cashed in by seeking a policy

surrender value from ReAssure. Although the funds are invested in the DA77 investment vehicle a breakdown of the asset class split within the DA77 contract at 31/3/2020 was as follows:

Asset class	£'000	%
Equities	4855	41.9
Bonds	3307	28.6
Gilt	2342	20.2
Property	1048	9.0
Cash	23	0.3
Total of DA 77 fund	11575	100

10. Review of the SIP

The trustees' policy is to carry out regular reviews of the SIP and as a minimum to review every 3 years.

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