

VCH International Ltd Retirement Benefit Plan

Statement of Investment Principles

Introduction

This Statement of Investment Principles has been prepared by the Trustees of the Scheme and sets out the Scheme's investment objective, the Scheme's investment strategy, the Trustees' approach to risk management, issues concerning implementation of the strategy and the policy on governance.

The Trustees have consulted with the employer prior to writing this statement and will take the employers' comments into account when it believes it is appropriate to do so.

The statement sets out the principles which govern the investment decisions that enable the Scheme to meet the requirements of the relevant regulations currently in force and, in particular, The Pensions Act 1995 as amended by the Pensions Act 2004.

The effective date of this Statement is 31st October 2020.

The trustees will review this statement and the Scheme's investment strategy no later than 3 years after the effective date of this statement and without delay after any significant change in investment policy.

Background

Whilst over the last 10 to 12 years there have been many changes to the Sponsoring Company (e.g. ownership and location), there has been very little change to the Scheme and its investment principles. The Scheme fund has grown since 2008 from £7.7M to £12.0M (September 2020).

The Trustees continue to obtain and consider professional advice on the suitability of the investment funds that are offered in accordance with relevant regulation. The Trustees review the investment activity and results on a monthly basis and react as necessary having due regard for the objectives, the liabilities of the Scheme, the risks of and to the Scheme and the covenant of the Sponsoring Company.

The investment responsibilities are governed by the Scheme's Trust Deed and rules.

The Scheme is a closed Defined Benefit pension scheme that provides members with a pension, which relates to the members' years of service and final pensionable salary. Following closure of the scheme (2004), contributions are made only by the employer.

Investment Policy

Having regard to the Scheme's membership profile, it is the policy of the Trustees to maintain the assets of the Scheme in a range of pooled investment vehicles.

It is the policy of the Trustees to seek proper advice, particularly before the appointment or review of any investment manager and to review this policy as necessary but not less than every

3 years. The power to make investments is not subject to the consent of the employer but they are kept informed.

The day to day matters of investment policy and management of the funds are delegated to professional investment managers and an overview of the arrangements are set out in this statement.

The fund has used M&G Investments for over 30 years to support the Trustees in their choice of investments. M&G produced a comprehensive report 'Responsible Investing' in their Corporate Finance and Stewardship Report 2019 (43pages). A more detailed approach of the methods and rationale for M&G in its monitoring and engaging with its investee companies is set out in their 'Engagement Policy' document.

The powers of investment are contained in the Trust Deed that governs the Scheme and this Statement is consistent with the Deed.

The Trustees' primary objectives are:

- To ensure that the investments conform to statutory criteria.
- That the investment of the funds return the maximum return, with the minimum risk and to further refine the policy by reference to the requirements of the member profile.
- That the funds can be realised as required, to meet the ongoing requirements for members' benefit payments.

The Trustees have selected a range of unitised pension funds as listed below.

The Trustees also maintain a working bank account under the Scheme to assist in the day to day management of the cash flow, into and out of the Scheme.

Investment Funds

The assets of the Scheme are invested in a range of M&G Prudential pooled investment funds and the investment restrictions applying to those funds are determined by the Investment Manager for each fund.

The objective and investment profile for each fund is set out below.

M&G PP UK Fixed Interest Fund

The objective of the Fixed Interest Fund is to provide an exposure to sterling fixed interest markets by investing in British Government Bonds (gilt edged securities) and sterling and corporate debt issued by UK and overseas borrowers.

M&G PP Discretionary Fund

The object of the Discretionary Fund is to provide a balanced approach to investment via a well diversified portfolio of UK and overseas equities, bonds, property and cash. The investments are managed by M&G Prudential, with a view to producing an above average return on the investment, the benchmark being the CAPS Pooled Fund.

The fund profiles are updated on a quarterly basis and facilitate review against the Trustees' strategy. A quarterly fact sheet is also made available which allows the performance of the

funds and the asset managers to be monitored on a quarterly, 1 year, 3 year and 5 year basis. This also provides comparison to benchmarks.

The cost for transactions are contained within the trading costs at time of the transaction.

The asset managers are incentivised by a remuneration system that is made up of fixed pay (salary and benefits) and performance related pay. Performance related pay aligns the interests of participants with the business objectives of the firm and the investment objectives of its clients. (Ref. M&G Remuneration Governance Policy).

Should the Trustees find the asset manager has moved the content of the portfolio in way that changes its alignment with the Trustees aims' we would seek to change manager or change our investment company.

Socially Responsible Investment

The selected funds each have their objectives and each Investment Manager will observe their own in house rules in relation to the assets held within the fund. The Trustees, therefore do not impose additional social, environmental or ethical restrictions in relation to the selection, retention and realisation of investments.

Corporate Governance

The Trustees accept that the funds are managed by Investment Fund Managers using their own policy on corporate governance and exercise of rights (including voting rights) attached to the underlying investments and will exercise any rights that it may have at its absolute discretion. The Trustees have reviewed the M&G Engagement Policy and Voting Policy, which is in line with the Trustees' policies. The actual voting activities on the funds are available quarterly on the M&G website. These are displayed at both a summary and individual level.

Compliance with this Statement

The Trustees have duties to perform to ensure compliance with this Statement.

These are:

- The Trustees will review this statement and the relevant investment funds every 3 years and will record compliance with it, or more frequently if necessary.
- The Trustees will obtain and consider professional advice on the continuing suitability of the investment funds at least annually.

All such reviews are entirely at the instigation of the Trustees of the scheme.

October 2020