PETER PETER & WRIGHT STERLING GROUP PLAN ('the Scheme')
SCHEME NUMBER: S30722

ANNUAL GOVERNANCE STATEMENT FOR THE SCHEME YEAR ENDED 30 APRIL 2023 ("the Scheme Year")

PREPARED IN ACCORDANCE WITH REGULATION 23 OF THE OCCUPATIONAL PENSION SCHEMES (SCHEME ADMINISTRATION) REGULATIONS 1996 ("The Regulations")

1. Default Arrangement

1.1 A copy of the latest Statement of Investment Principles prepared in accordance with regulation 2A (default investment strategy) of the Occupational Pension Schemes (Investment) Regulations 2005 is included herewith.

1.2 No review of the default strategy or the performance of the default arrangement was undertaken by the Trustees during the Scheme Year ended 30 April 2023.

1.3 The most recent review of the default strategy and the performance of the default arrangement was undertaken in November 2023. A record of the review is included herewith.

1.4 No changes are proposed as a consequence of the review.

2. Performance based fees

2.1 No performance based fees were incurred in relation to the default arrangement during the Scheme Year.

3. Core Financial Transactions

3.1 The requirements of Regulation 24 of the Regulations have been complied with by ensuring that all contributions to the Scheme were made promptly and accurately by Peter Peter & Wright drawing an office account cheque for the relevant employer and employee contributions at the end of each month and posting it to AVIVA to be invested in the Scheme.

3.2 During the Scheme Year there were no transfers of assets relating to members into or out of the Scheme, or between different investments within the Scheme, and no other payments from the Scheme to or in respect of members.

4. Return on Investments

4.1 All contributions paid into the Scheme are invested by AVIVA in a large pooled fund (the **With Profits Sub-Fund**), which is made up of a mixture of international shares, UK shares, property, UK gilts, corporate bonds, international bonds and other investments.

4.2 The value of this Sub-Fund fluctuates from day to day depending on changes in the value of the underlying investments.

4.3 The value of the individual pension pot of each member of the Scheme does not however fluctuate in this way. Instead, each member has their own pension "account" which is expressed in £s, rather like a bank statement, and the amount of all contributions are added to the account.

4.4 Then, at the end of each year, interest (referred to as "**bonus interest**") is credited to each member's account on all contributions and **bonus interest** which has already been credited to their account at the end of the previous year, and on all contributions made during the year from the date on which the contributions were received. The rate of **bonus interest** can be nil, but it can never be negative.

4.5 In determining the rate of "**bonus interest**" at the end of each year there is an element of "smoothing" involved whereby some of the gains earned on the Sub-Fund in good investment years are kept back to help pay **bonus interest** in poor investment years.

4.6 The aim of the **bonus interest** is to provide a progressive build-up of guaranteed benefits over the lifetime of the policy, whilst retaining sufficient profits from the Sub-Fund to provide an additional payment (referred to as a "**final bonus**") when the member retires or upon death or transfer of their fund into another pension scheme.

4.7 The **final bonus** is calculated as a flat percentage of the total accrued **bonus interest**. The percentage rate is not fixed, nor is it guaranteed. The rate is reviewed regularly, usually on 1 January and 1 July each year, and it can go up or down. In determining **final bonuses** the aim, over the long term, is to pay out maturing policies as a group and on average 100% of the value of the underlying Sub-Fund. Sometimes, and in certain market conditions, this can involve reducing the **final bonus** to ensure fairness to all policyholders across all generations.

4.8 Details of returns on investments in the Scheme, after deduction of charges and transaction costs, are included within the review of the performance of the default arrangement referred to in paragraph 1.3 above.

5. Charges and Transactional Costs

5.1 There are certain administrative and Scheme charges which are paid by the employer to AVIVA each month.

5.2 There are also charges involved in the running of the With-Profits Sub-Fund. Members of the Scheme do not pay these charges directly, but they do pay them indirectly because they are deducted and paid out of the underlying Sub-Fund, and it is the performance of the underlying Sub-Fund (net of charges) which ultimately dictates the rates of **bonus interest** and the amount of any **final bonus**.

5.3 AVIVA confirmed in a letter to the Trustees dated 6 June 2017 that with effect from 31 May 2017 active and deferred members would not incur charges greater than 1% of their fund each year.

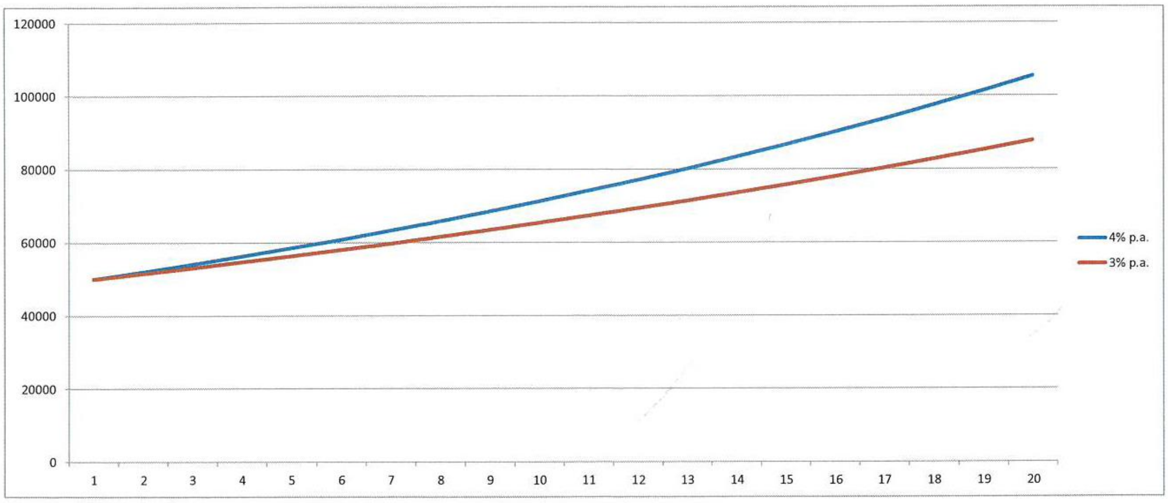
5.4 In a letter to AVIVA dated 9 November 2017 the Trustees sought further clarification of this, asking whether the cap referred to 1% of the value of the fund at the beginning of the Scheme Year, or at the end of the Scheme Year, or at some other point, and whether there were any other management or fund charges payable by members, and if so requesting details of what they were and how they were calculated, and confirmation as to whether any such additional charges might result in the total charges paid by members amounting to more than 1% of their fund each year, and if so to what extent the total charges paid by members might exceed 1% of their fund.

5.5 AVIVA replied by letter dated 11 January 2018 confirming that the only charge was built into bonuses declared at the end of each year, and that the maximum 1% charge was calculated on a daily basis with the charge being limited to a maximum of 1/365ths of 1% of the value of the fund for that particular day. AVIVA also confirmed that there were no other charges payable by members under the scheme.

5.6 These member-borne charges and costs are considered by the Trustees to be reasonable having regard to the nature of the Scheme, and are in line with the 2013 Independent Governance Committee guidance.

5.7 No assessment of charges and transaction costs pursuant to regulation 25(1A) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 has been carried out because the Scheme is currently winding up.

5.8 Because of the nature of the Scheme and the way in which bonuses are added, and the fact that charges are in effect built-in to the bonus interest and any final bonuses which are applied to members' pension accounts, it is difficult to provide a meaningful illustration of the cumulative effect over time which the charges and costs which are levied on the underlying Sub-Fund have on the value of an individual member's accrued rights. Below is an illustrative chart showing how a £50,000 fund would grow over a period of 20 years at a rate of growth of 4% per annum, and how the same fund over the same period would grow at a rate of growth of 3% per annum (ie. a with an overall reduction in yield of 1% per annum).



6. Asset Allocation

Asset allocation within the underlying With-Profits Sub-Fund as at 30 June 2023 was follows:

Asset Class	Asset Allocation
International equities	34.7%
UK Equities	18.6%
Property	15.0%
UK Corporate Bonds	9.0%
Global Fixed Interest	8.4%
Alternative Investments	7.3%
Fixed Interest - Gilts	6.3%
Cash / Money Market	0.7%

7. Trustee knowledge and understanding

7.1 The requirements of section 247 of the Pensions Act 2004 have been met by the Chair of Trustees during the Scheme Year by reading and familiarising himself with the rules of the Scheme the information and documentation provided by AVIVA in relation to it, and (to the extent required under section 247(5) of the Pension Act 2004), the law relating to pensions and trusts and the principles relating to the funding of occupational pension schemes and the investment of the assets of such schemes.

7.2 Section 248 of the Pensions Act 2004 does not apply.

8. Winding up the Scheme

8.1 The Scheme is now very small, with only two remaining active members and four deferred members. A decision has therefore been made to wind up the Scheme, and Resolutions to that effect were made by the Trustees and by the partners of PPW on 10 October 2023. The Scheme is currently therefore in the process of being wound up.

13 November 2023

TOBY J ROWLAND
(Chair of Trustees)