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

STATEMENT OF INVESTMENT PRINCIPLES IN RESPECT OF THE DEFAULT ARRANGEMENT

PREPARED IN ACCORDANCE WITH REGULATION 2A OF THE OCCUPATIONAL PENSION SCHEMES (INVESTMENT) REGULATIONS 2005

1. Introduction

1.1 The Trustees of the Peter Peter & Wright Sterling Group Plan (the "Trustees" and the "Scheme" respectively) have drawn up this Statement of Investing Principles to comply with the requirements of the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

1.2 The Scheme has been closed to new members for many years. There are now six remaining members (two active and four deferred).

1.3 The Scheme is in the process of being wound up, and no further contributions are currently being made into it.

1.4 The Trustees expect the winding up to be completed within the next 12 months.

2. The Default Arrangement

2.1 AVIVA ("the Investment Manager") manages the Scheme on behalf of the Trustees.

2.2 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.

2.3 The value of the With Profits Sub-Fund fluctuates from day to day depending on changes in the value of the underlying investments.

2.4 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.

2.5 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.

2.6 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 With Profits Sub-Fund in good investment years are kept back to help pay **bonus interest** in poor investment years.

2.7 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 With Profits 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.

2.8 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 With Profits Sub-Fund. Sometimes, and in certain market conditions, this can involve reducing the **final bonus** to ensure fairness to all policyholders across all generations.

3. Summary of Assets held within the With Profits Sub-Fund

3.1 The kinds of investments held within the With Profits Sub-Fund as at 30 June 2023, and the balance between them, are summarised in the Table below:

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%

3.2 Some investments in the With Profits Sub-Fund are illiquid assets (eg. property – see below). Members' benefits in the Scheme are not however illiquid, because members are not directly invested in the With Profits Sub-Fund.

3.3 Non-financial matters are not taken into account in the selection, retention and realisation of investments, or when making decisions regarding bonus interest or the amount of any final bonus.

4. Risks

4.1 Risks inherent in the various classes of assets held within the With Profits Sub-Fund are summarised in the Table below:

Asset Class	**Risk Factors**
UK and International equities	Shares (or equities) are shares in companies listed on stock exchanges around the world. As shares can rise and fall in value very easily, equities are riskier than most other investments. However, they usually offer the greatest chance of higher returns over the long term. The equity part of the asset mix in the With Profits Sub-Fund includes equity-type assets that are not quoted on stock exchanges.
Property	The Sub-Fund invests substantially in property funds, property shares or directly in commercial property such as shopping centres, business offices and industrial warehouses. The value of property can go down as well

	as up, and property may take longer to buy and sell than other types of investment. Transaction costs are high due to legal costs, valuations and stamp duty, which will affect returns. Also, because properties are not always readily saleable, fund managers of property funds may, in certain circumstances, suspend trading in their funds.
Alternative Investments	Alternative investments are assets which tend to behave differently to more traditional asset classes such as equities, bonds or property. These investments can include multi-strategy funds which seek to take advantage of investment opportunities not always found in the approach used by more traditional asset classes. The value of these types of investments can go down as well as up.
UK Gilts	These are bonds issued by the UK Government. The government pays interest on the bonds and promises to pay back the principal amount (money borrowed) at a certain point in the future. Gilts are regarded as less risky than corporate bonds, because the UK Government is less likely to default, but the value of bonds can nevertheless fluctuate (see below).
Fixed Interest – Other Bonds (including Corporate Bonds and other fixed interest).	This includes various types of non-gilt investments, including bonds issued by non-UK governments, corporate bonds (ie. loans issued by companies to be paid at a point in the future) and alternative credit (including non-traditional corporate, private or emerging market debt). The value of fixed interest investments can go down as well as up. If a company defaults on a bond, the principal amount (money borrowed) and interest will not be paid. Corporate bonds are regarded as riskier than gilts. The Sub-Fund also invests in high yield (non-investment grade) bonds. Non-investment grade bonds carry a higher risk that the issuer may not be able to pay interest or return capital. Economic conditions and interest movements will have a greater effect on their price, and there may be times when these bonds are not easy to buy and sell. Changes in interest rates and/or inflation can affect the value of UK Gilts and other bonds. Typically if interest rates rise the value of bonds will fall.

4.2 All contributions paid into a member's account, and all **bonus interest** awarded, are however guaranteed, regardless of any fluctuations in the value of investments within the With Profits Sub-Fund. The performance of the With Profits Sub-Fund will dictate the amount of any future **bonus interest**, and the amount of any **final bonus**, but this is subject to the smoothing process outlined in paragraph 2 above.

5. Expected Returns

5.1 The expectation is that the Scheme will offer returns for members which are higher than those received from a bank or building society average savings account over the long term.

5.2 The Scheme has met this expectation. The most recent review of the performance of the Scheme was carried out in November 2023.

6. Aims and Objectives of the Trustees

6.1 The Trustees' aims and objectives are to ensure that the members' financial interests are protected whilst the Scheme is wound up, and that the Scheme's assets are invested in the best interests of the members during that time.

6.2 To achieve these aims and objectives, the Trustees believe that it is in the best interests of the members as a whole to retain the Scheme assets within the Scheme, and for the Scheme assets to continue to be invested as outlined above, whilst the Scheme is wound up.

7. Summary of members' benefits held within the Scheme

Members of the Scheme have each been provided with details of the guaranteed value of benefits held in their account, including **bonus interest**, and an indication of the likely current transfer value of their benefits in the Scheme including any **final bonus**.

Dated: 13 November 2023

TOBY J ROWLAND
(Chair of the Trustees)