

H E STRINGER LIMITED RETIREMENT BENEFITS SCHEME (the "Scheme")

ANNUAL GOVERNANCE STATEMENT FOR THE SCHEME YEAR ENDING

31 MARCH 2021

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

Introduction

Since 6 April 2015, the trustee of defined contribution pension schemes such as this Scheme must produce an annual report, signed by the chair of trustee (the Chair's Statement). This is that statement and summarises matters relating to investment, administration and charges for the Scheme that impact on the members and their benefits.

This Scheme operates under a Trust Deed and Rules. The Scheme was established under a Deed and Rules dated 24 June 1988 and have been amended periodically since then. The Trustee operates the Scheme in accordance with the Rules and the Statutory Regulations that are in force from time to time. The Scheme was closed to new members from 1st September 2001. The Scheme was not contracted out.

The Trustee of the Scheme is Winterbourne Trustee Services Limited. This statement is signed by the Chair of Trustee, but all Trustee Directors carry collective responsibility under the Trust Deed and Rules for all matters connected with the Scheme.

The Trustee retains the services of an independent financial adviser from whom they receive advice on both the structure of the investment offering to members, the detail of the individual investment funds offered and the underlying investment manager used by the Trustee. The Trustee has an advice contract in place with Professional Pensions and Investments Limited. They are a Chartered firm and are regulated and authorised by the Financial Conduct Authority.

The Trustee also has a contract for administration services with Prudential who provide the Trustee with pension administration services in accordance with legislation and regulation around trust based defined contribution pension schemes in the UK. The Trustee considers the retained service provider has appropriate knowledge and experience to assist the Trustee in discharging their responsibilities under the Trust for the benefit of the membership.

The Scheme year end is 31st March 2021 and there is a statutory requirement to include an Annual Governance Statement within the Report and Accounts: The Chair's Statement.

This is such a statement and as the Chair's annual governance statement it has been prepared in accordance with the regulation 23 of the Occupational Pension Schemes Regulations 1996.

Investment Arrangements

The Scheme invests in the Scottish Amicable Insurance Fund (SAIF) With-Profit Fund, managed by Prudential. The investment is an integral component of the packaged service obtained by the Principal Employer when the Trust was instigated. The Scheme is not being used as a qualifying scheme for automatic enrolment purpose and does not meet the maximum fund charge cap. The Trustee has considered the desired and appropriate outcomes

and decided that the funds already in use remain appropriate. This helps to keep operational and management costs proportionate.

The Trustee is appointed to operate the Trust with its integral investment funds. The With-Profits Fund involves a smoothed investment return released over time for the benefit of the members of the Scheme up to normal retirement age. To protect existing With-Profit policyholders, other than in accordance with specific policy provisions, the fund provider may apply a market value adjustment to a member that leaves the With-Profits fund. The maturity value of the With-Profits fund is transferred, without an adjustment, to buy units in the Prudential Pre A Cash Fund. The value of the units in the Prudential Pre A Cash Fund are not expected to fall.

Core Financial transactions

The requirements of regulation 24 of the Regulations have been met and the Trustee, via its administrator, has processed appropriately the financial transactions under the Scheme. From time to time this activity may cover;

- Transfer value requests relating to members of the Scheme
- Requests from members in connection with their investment fund
- Settlement of claims for benefits due under the Scheme

Charges and transactions costs

The level of charge and transaction costs within the With-Profits fund are not transparent. The Prudential, as the fund manager, disclosed the annual management charge (AMC) and the Further Fund Costs (FFC). The AMC covers the cost of managing the fund. The FFC is in addition to the AMC, covering costs such as maintenance costs for underlying properties and costs associated with investing in infrastructure.

For the With-Profits Funds the AMC and FFC are not explicit, so members will not see charges being deducted from their plan. Instead, policyholders may share in the investment profits made through the addition of regular annual bonuses, after all charges are deducted. The latest bonus rate was 1.625%, future bonus rates may vary. Members invested in the Prudential With-Profits Pension Fund 3a (ex-SA) (pre 01/01/2006 contributions) are guaranteed to average a return of not less than 4% per annum (pa). In addition to all annual bonus rates, a final bonus may be added, but not guaranteed, when the member takes money out of the With-Profits Fund.

Fund	AMC % pa	FFC % pa	Total % pa
Prudential With-Profits Pension Fund 3a & 2 (ex-SA)	0.875	0.13	1.005
Prudential With-Profits Pension Fund 5 (ex-SA)	0.875	0.20	1.075
Prudential Cash Pre A Fund	0.875	0.00	0.875

The Trustee has considered the extent to which the charges are set out and operated. The approach taken is typical of a packaged service that was secured by the Principal Employer in operating the Scheme. Bearing that in mind, the value offered to members who benefit from an occupational pension scheme, the charges are considered reasonable by the Trustee. The

Trustee has reviewed the latest Investment Summary, the historic and recent annual bonus rates and consider this appropriate for the level of risk taken.

Impact of Charges and Costs

The table below illustrates the impact of charges on a member pot of £10,000 over a 5 year period. The account size is not necessarily typical but is selected such that members may easily pro rata the table to their account. These examples are expressed in today's terms and the assumptions are shown below the table. The figures shown are estimates and not guaranteed. These costs are paid by a member from their Scheme pot. They include the implicit charges, deducted before bonuses are declared.

Projected pension pot in today's money with initial fund of £10,000						
Fund						
-	Prudential With-Profits Pension Fund 3a & 2 (ex-SA)		Prudential With-Profits Pension Fund 5 (ex-SA)		Prudential Cash Pre A Fund	
End of Year	Before Charges £	After all implicit charges deducted £	Before Charges £	After all implicit charges deducted £	Before Charges £	After all implicit charges deducted £
1	10,150.00	10,049.50	10,150.00	10,042.50	9,900.00	9,812.50
3	10,456.00	10,149.24	10,456.00	10,128.04	9,702.99	9,447.98
5	10,772.84	10,249.96	10,772.84	10,214.31	9,509.90	9,097.00
10	11,605.41	10,506.17	11,605.41	10,433.22	9,043.82	8,275.55
15	12,502.32	10,768.79	12,502.32	10,656.82	8,600.58	7,528.27
20	13,468.55	11,037.97	13,468.55	10,885.21	8,179.07	6,848.47
25	14,509.45	11,313.87	14,509.45	11,118.50	7,778.21	6,230.05
30	15,630.80	11,596.68	15,630.80	11,356.78	7,397.00	5,667.48
35	16,838.81	11,886.55	16,838.81	11,600.17	7,034.48	5,155.71
40	18,140.18	12,183.67	18,140.18	11,848.78	6,689.72	4,690.15

Note

Values shown are estimates and not guaranteed

Fund growth is assumed to be linear

Inflation is assumed to be zero throughout

Assumed growth rate:

- Prudential With-Profits Pension Fund 3a & 2 (ex-SA): 1.5% above inflation
- Prudential With-Profits Pension Fund 5a (ex-SA): 1.5% above inflation
- Prudential Cash Pre A Fund: 1% below inflation

Such assumptions as inflation and the implicit charges may change over time.

Value for Money Assessment

The charges and costs of the With-Profits Fund are implicit as is the nature with this type of contract. The Trustee has assessed the level of charges in each fund and compared them with the level of return they have delivered to members and consider them to be fair value. This is as the Trustee expects and had been advised by the Investment Adviser.

The Trustee has reviewed the latest fund manager investment summary, the historic and recent declared interest rates and consider this appropriate for the level of risk taken.

The Trustee has considered the impact of the charges as set out and operated. The approach taken is typical of a package service such as that secured by the Principal Employer in setting up the Scheme. Bearing that in mind the value offered to members who benefit from an occupational pension scheme, including Employer contributions, leads the Trustee to consider that the charges are reasonable.

The Trustee considers, based on the information available to them from their Investment Adviser, that the charges and transaction costs, that the members meet, are comparable with those applied to similar packaged defined contribution pension schemes. The Scheme therefore represents good overall value for the benefit provided to members.

The Trustee considers the latest declared annual bonus rate represents value for money. In addition, the increase in value to the Exempt With-Profits Series 3A (pre 01/01/2006) is guaranteed to average not less than 4% per annum. The Trustee considers the potential benefit of this guarantee outweighs the implicit charges and transaction costs.

Members may like to consider that many of the costs of managing the Scheme are met by the Employer. These include, but are not limited to:

- The costs of providing Trustee services
- The costs of investment advice to the Trustee
- The costs of Employer contributions

When assessing good value, it is not just the direct and indirect costs that are reviewed but all the factors which make up each member's experience. Currently, there is no legislation setting out how 'good value' should be assessed and what criteria should be reviewed as part of the assessment. The Trustee has undertaken a 'value for money' assessment focusing on member charges and the features of the Scheme. The main categories that the Trustee considers, and their views are:

Member costs and charges	Fair	Administration	Good
Member communication	Fair	Trustee governance	Good
Investment	Fair		

Member communications will be improved in the coming year.

Knowledge and Understanding of the Trustee

The requirement under section 247-248 of the Pensions Act 2004 (requirement for knowledge and understanding) has been met during the Scheme year by an ongoing programme of training by the Trustee Directors.

The Trustee is Winterbourne Trustee Services Ltd. As an Independent Professional Trustee Winterbourne provide an experienced representative to attend Trustee director meetings and manage matters connected with the Scheme. The Team at Winterbourne includes experienced professionals who are well versed in the operation and practices of occupational pension schemes. The wider team hold qualifications and have professional experience appropriate to all aspects of managing an occupational pension scheme. Each member of that team

undertakes continuous professional development appropriate to their specific discipline. The team expertise extends to Scheme Administration, Scheme Governance including specifically DC aspects, Legal Documentation and Regulation, Investment and Actuarial matters. Each of their team maintains adequate professional knowledge by undertaking more than 25 hours of professional training annually in their chosen specialty and has undertaken the Pensions Regulator Trustee toolkit training.

The combined knowledge and understanding of the Trustee Directors, together with the advice which is available to the Trustee enables the Trustee to appropriately exercise its governance functions as Trustee of the Scheme.

Signed

Chair of Trustee

**Signed for and on behalf of Winterbourne Trustee Services Limited
As Trustee of the H E Stringer Limited Retirement Benefits Scheme**