

|| CHAIR'S STATEMENT

Annual governance statement by the Chair of Trustees

INTRODUCTION

New governance rules apply to defined contribution pension arrangements like the GH Wilson Retirement & Death Benefit Scheme (the "Scheme") from 6 April 2015. These were designed to help members achieve a good outcome from their pension savings.

As Chair of the Trustees, I must provide you with a statement which explains what steps have been taken by the trustees, with help from our advisers, to meet the new governance standards. The law sets out what information must be included in my statement and this is covered in sections 1 to 4 below.

The Trustees are committed to having high governance standards, to monitor the controls and processes in place in connection with the Scheme's investments and administration. The pension arrangement is a Defined Contribution Occupational Money Purchase scheme and is wholly insured via Aegon. The scheme was set up and operates under a Trust Deed and Rules originally dated 19/01/1996.

The scheme was paid-up when Montalto Properties Ltd reached its staging date for auto-enrolling employees (31/7/2017) and future contributions were redirected to the Montalto Workplace pension scheme set up with Royal London.

Once all members have either transferred out to either the workplace pension, individual arrangement or the policies have been assigned, we intend to fully wind the scheme up. We hope to do this as soon as possible (within the next 1-2 years).

By the end of our scheme year (18/01/22) there were 9 deferred members within the scheme and net assets of approximately £268,558.45.

I welcome this opportunity to explain what the Trustees do to help to ensure the Scheme is run as effectively as it can be. If you have any questions about anything or any suggestions about what can be improved please do not hesitate to contact me.

1. Default investment arrangement

The default investment arrangement is provided for members who join the Scheme and do not choose an investment option for their contributions. Members can also choose to invest in the default investment arrangement which is set up by the Trustees. At present all deferred members had previously consulted with our scheme financial advisers and chosen other investment fund portfolios.

Setting an appropriate investment strategy

The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the Scheme's default arrangement.

With the guidance of our scheme financial advisers we chose Aegon's Cautious Lifestyle fund as the Scheme's default arrangement. The key points are noted below.

The Cautious Lifestyle fund has a below average risk rating which means we'd expect to see some change in its day-to-day value, both positive and negative, more than a cash investment but with greater potential returns and better protection against inflation. It holds a broad range of investment types including equities (shares) but a significant proportion will be invested in types that aim to provide a reliable source of income and with that, greater stability.

The fund uses a two-stage investment process called Lifestyling. It aims to perform better than its benchmark (Mixed investment 20%-60% shares) in the early years (the growth stage), and give you more certainty about the amount of pension you can buy when you retire (the lifestyling stage). During the early years of your investment the Cautious Lifestyle fund aims to provide long-term capital growth by investing in a mix of UK Equities (shares) that offer a dividend yield higher than the average for companies in the FTSE All-Share Index and sterling denominated fixed interest securities (bonds). It may also, on occasion invest overseas equities, property and derivatives. The lifestyle stage starts six years before the start of your target retirement year. It will then progressively start switching your investment into the Long Gilt fund, with the aim of giving you more certainty as you reach your target retirement year. It will also move some of your pension pot into the Cash fund two years before to cater for your tax- free cash entitlement, assuming you take 25% of your pension pot.

The typical asset allocation is as follows:

26.3%	UK Equity	18.6%	Global Bonds
23.6%	UK Bonds	9.0%	North America Equity
5.8%	Asia Pacific Equity	11.5%	Cash
7.2%	European Equity	-2.0%	Other

The past fund performance by calendar year has been:

<u>Year</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Fund	7.69%	-0.60%	11.30%	-5.76%	7.13%
Benchmark	6.68%	2.40%	11.54%	-5.29%	6.32%

Aegon are dedicated to making sure their insured funds can meet their commitments with rigorous governance. Their Fund Governance Group (comprising of Aegon & Morningstar specialists) review the arrangement regularly to ensure the fund meets its objective, monitors the fund to check it is performing as expected, acting if the fund does not meet expectations (ie. any changes to be made).

Reviewing the default investment strategy

The Trustees are expected to:

- Review the investment strategy and objectives at regular intervals – at least once every 3 years and
- Take into account the needs of the scheme membership.

The default investment arrangement remains the same as before.

2. Charges and transaction costs paid by members

We are required to explain the charges and transaction costs (ie. the costs of buying and selling investments in the scheme) which are paid by members rather than the employer.

The level of charges and transaction costs applicable to the Scheme's default arrangement during the last scheme year were an Aegon Annual Management charge of 1%. This includes a standard 1% product charge, a fixed management fee and expenses.

The level of charges and transaction costs applicable to the funds offered which are not part of the scheme's default arrangement range from 1% - 1.9% (using external fund managers within Aegon's fund range).

Good value for members

When assessing the charges and transactions costs which are payable by members, the Trustees are required to consider the extent to which the investments options and the benefits offered by the Scheme represent good value for members when this is compared to other options available in the market.

There is no legal definition of "good value" and so the process of determining good value for members is a subjective one. We have received advice on how to assess good value from our advisers and considered regulatory guidance.

We have considered how the charges/costs borne by the members compare against the services and benefits provided by the scheme (the benefits of membership). The benefits of membership include amongst other things, the design of the default arrangement, the range of investment options available, the efficiency of administration processes and the extent to which Aegon (pension provider) met and exceeded its service level standards.

We have assessed member's investment returns and overall fund performance to ensure that the charges borne by the members are reasonable for each fund we offer. Market factors have been taken into account. We considered in particular that higher costs in specialist funds are usual and justified.

The value for money assessment considered the following:

- Annual management charges and administration fees
- Net of cost performance
- Transaction costs where available.

Wider plan features, for example Plan governance have also been considered. The value for money assessments concluded that the Plan's Defined Contribution benefits, services and options represent good value for money for as members as:

- Members have access to a variety of well-designed investment options which the Trustees monitor and update and which should meet the membership's different returns/risks and income preferences.
- Members have access to institutional-priced investment fund management at charges which are competitive
- Administration performance is regularly reviewed. Service levels over the period have met expectations and there have been no material administration service issues which need to be reported. We are confident that the processes and controls in place with Aegon are robust.

As mentioned, members can currently transfer their benefits to either the workplace pension, individual pension or soon assign their existing plan into their own name. Once all assets have been transferred out the scheme will be wound up.

3. Core financial transactions

The Trustees are required to report to you about the processes and controls in place in relation to the “core financial transactions” which include the following:

- Investing contributions paid into the scheme
- Transferring assets related to members into or out of the scheme
- Transferring assets between different investments within the scheme and
- Making payments from the scheme to or on behalf of members.

We must ensure that these important financial transactions are processed promptly and accurately. We delegate the scheme administration to Aegon (our pension provider) in association with the trustees.

I am pleased that in the last scheme year there has been no material administration service issues which need to be reported. We are confident that the processes and controls in place with Aegon are robust and will ensure that the financial transactions which are important to members are dealt with properly.

4. Trustee knowledge and understanding

It is required that the trustees possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively.

David Wilson
Chair, For and on behalf of the Trustees of GH Wilson R&DBS

21/07/2022