



St Austell Brewery Company Limited Retirement Benefits Plan

Chair's Statement

1 January 2020 to 31 December 2020

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01 Introduction

£10.5m

Total defined contribution funds in the Plan as at 31 December 2020

This is the Chair's Statement for the St Austell Brewery Company Limited Retirement Benefits Plan (the "Plan") covering the period 1 January 2020 to 31 December 2020.

As the Chair of the Trustees, I provide you with a yearly statement which explains what steps have been taken by the Trustees, with help from our professional advisers, to meet the new governance standards. The law sets out what information has to be included in my Statement and this is designed to help members achieve a good outcome from their pension savings.

The Plan is a defined contribution ('DC') arrangement providing benefits to members depending on their membership category. The Plan is being used as a qualifying scheme to comply with the automatic enrolment legislation in the UK, in relation to current employees.

The Plan has a default investment option and this is explained further in Section 2.

01.01 Governance and Queries

The Trustees are committed to having high governance standards. The Trustees meet regularly to monitor the controls and processes in place in connection with the Plan's investments and administration.

I welcome this opportunity to explain what the Trustees do to help ensure the Plan is run as effectively as it can be. If you have any questions about anything that is set out, or any suggestions about what can be improved, please do contact XPS Pensions Limited.

The Plan was established on 1 March 2002 and is governed by the Definitive Trust Deed and Rules in order to provide benefits for employees of St Austell Brewery Company Limited.

I, Will Michelmore, was appointed as the Chair of the Trustees and I am signing this Statement in that capacity.

02 Default Investment Strategy

Statement of Investment Principles (SIP)

A copy of the SIP, which sets out the objectives for the Plan's investment strategy, can be found in Appendix A

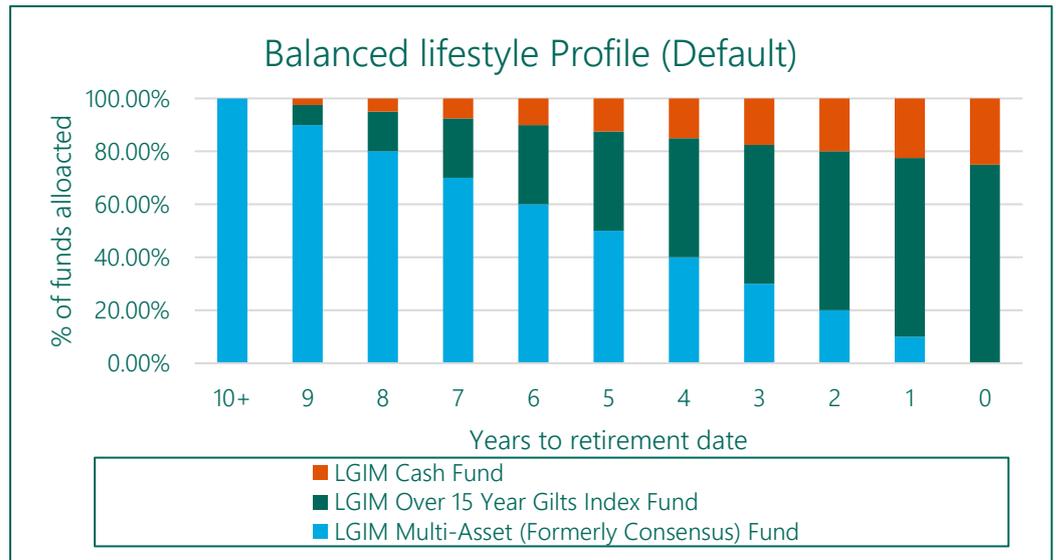
02.01 The default investment option

If members do not make their own investment choices in the Plan, their funds are invested in the "default investment option".

The Plan's default investment fund is the Balanced Lifestyle Fund (with Legal and General). This is what is known as a "lifestyle" strategy, which seeks to switch investments gradually into lower risk funds as members approach retirement.

When members are more than 10 years from their target retirement date, the Balanced Lifestyle Fund is invested entirely in the LGIM Multi-Asset (formerly Consensus) Fund. This fund invests in a mixture of equities (shares in companies) and bonds, aiming to achieve long-term capital growth whilst avoiding excessive risk. The LGIM Multi-Asset (formerly Consensus) fund is "passively managed", which means it aims to track an index, rather than make regular trades to try to achieve excess returns.

Once members are within 10 years of their target retirement date, the Balanced Lifestyle Fund gradually switches their investments into the LGIM Over 15 Year Gilts Index Fund ("Gilts") and the LGIM Cash Fund ("Cash"). This continues until, at their target retirement date, 75% of the investment is in Gilts. The remaining 25% is in Cash.

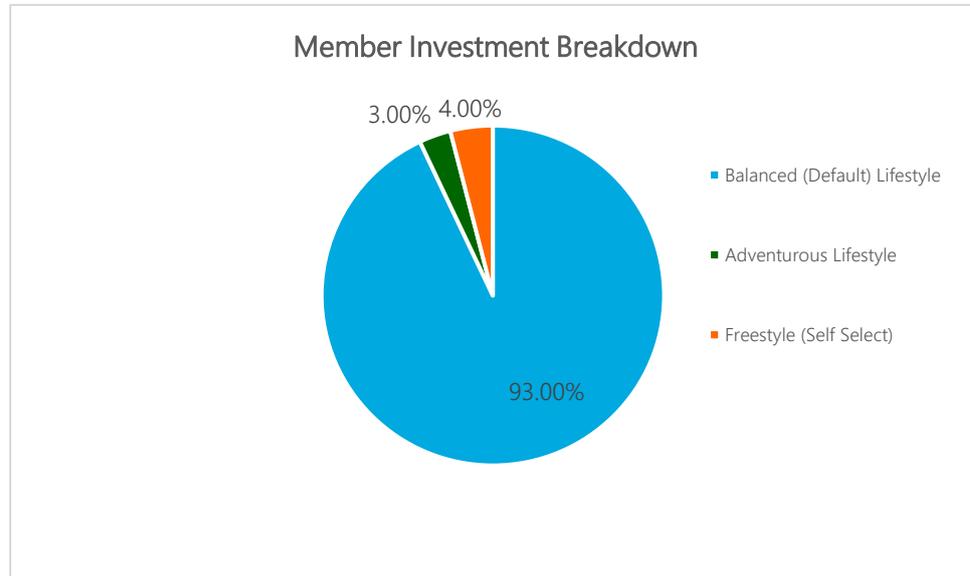


The aim of the lifestyle fund overall is to reduce the risk of members being inappropriately invested at retirement. In the early years, money is invested in funds with greater growth prospects. As retirement approaches, the individual's account will be gradually and automatically switched into lower-risk investment funds.

Members can opt out of the default investment option and invest in any other fund offered by the Trustees.

Default Investment Strategy continued

Profile options: lifestyle vs self-select



Within the period covered by this report, around 93% of members had their contributions invested in the default investment option. This figure (in comparison to other similar pension schemes) is low and indicates a degree of member engagement in actively selecting their investment choice.

02.02 Reviewing the default investment arrangement

The Trustees are expected to review the investment strategy and objectives of the default investment option at regular intervals.

As required under legislation, a full review is carried out at least every 3 years. The latest review was completed on 31 July 2019.

The review of the default investment option, including a review of the performance of the underlying funds, took into account the needs of the Plan membership to ensure the default investment arrangement remained appropriate, including looking at where members have chosen to invest. The characteristics of members who are enrolled in the default investment option (because they made no investment choice) were given particular consideration.

In assessing the default investment option, the Trustees continually monitor the investment performance and how members are accessing their benefits.

As a result of the monitoring over the period covered by this statement, along with advice from the Plan's investment advisors, the Trustees conclude that the current default investment option has met its aims and objectives and offers the members good value and as a result there was no reason to change the default investment option at this time.

The lifestyling element of the default investment option is kept under review for suitability in light of the choices that members make at retirement. It is noted that the lifestyling element of the default investment option will become more relevant as more members approach their target retirement date.

In addition to considering the membership profile, the Trustees also look at the level of risk and number of investment funds offered to members, changing long-term investment market conditions and the investment products and techniques available in the market place.

July 2019

The most recent review of the fund range and default arrangement's strategy and performance was concluded and signed off effective 31 July 2019

Default Investment Strategy continued

During the period covered by the Statement, the Trustees have continued to monitor the performance of the underlying funds in the default investment option against the aims and objectives set out in the Statement of Investment Principles (SIP). The Trustees believe they continue to meet these aims. This review included analysis of the fund returns against their benchmarks and consideration of general market trends.

03 Charges and transaction costs

Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose

03.01 Investment Manager Charges

The Trustees have selected a range of funds which they believe to be appropriate for members of the Plan. The funds are managed by Legal & General Investment Management (LGIM) and Schroders.

All the funds offered via LGIM with the exception of the Cash and Property Funds are “passively managed”, which means they aim to track an index, rather than make regular trades to try to achieve excess returns. Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose, or select the lifestyle investment option. Alternatively, if they do not make a choice, their funds will be invested in the default investment option.

The charges and other expenses applied to the default investment option (which are averaged across the membership based on the split of their investments), along with the other available portfolio options and self-select funds available to members during the Plan year, were:

Fund Name	Annual Management Charges (AMC)	Other expenses	Total Expense Ratio
Default Investment Option			
Balanced lifestyle Fund (default)	0.2324%	0.0000%	0.2324%
Self-Select Funds			
LGIM Multi-Asset (formerly Consensus) Fund*	0.2561%	0.0000%	0.2561%
LGIM Global Equity (70:30) Index Fund	0.1827%	0.0000%	0.1827%
LGIM UK Equity Index	0.1000%	0.0300%	0.1300%
LGIM Over 15 Year Gilts Index Fund*	0.1001%	0.0000%	0.1001%
LGIM Property Fund	0.8579%	0.6623%	1.5202%
LGIM Cash Fund*	0.1249%	0.0000%	0.1249%
LGIM AAA-AA-A Corporate Bond All Stocks Index Fund	0.1506%	0.0000%	0.1506%
Schroders Funds			
Schroders Global Equity Fund	0.50%	0.00%	0.50%
Schroders Diversified Growth Fund	0.65%	0.00%	0.65%
Schroders Dynamic Multi-Asset Fund	0.35%	0.00%	0.35%
Schroders All Maturities Corporate Bond Fund	0.25%	0.00%	0.25%
Other Portfolios			
Adventurous lifestyle	0.1752%	0.0000%	0.1752%
Cash lifestyle	0.2314%	0.0000%	0.2314%
Cautious Lifestyle	0.2164%	0.0000%	0.2164%

(Source: Legal & General Investment Management, Schroders)

*part of the Default lifestyle

Members may select any of the funds above and switch between these options should they wish.

Charges and transaction costs continued

Transaction costs are costs associated with buying and selling of investments and include for example stamp duty and brokerage fees. Transaction costs are incurred when contributions are invested, on switching between funds and when selling investments to take benefits. The following table indicates transaction costs incurred by each of the funds available for investment over assessment periods monitored by the investment manager: -

Fund Name	Transaction Costs (% of funds traded)
Default Investment Option	
Balanced lifestyle Fund	0.0418%
Self-Select Funds	
LGIM Multi-Asset (formerly Consensus) Fund*	0.0443%
LGIM Global Equity (70:30) Index Fund	0.0049%
LGIM UK Equity Index Fund	0.0000%
LGIM Over 15 Year Gilts Index Fund*	0.0381%
LGIM Property Fund	-0.1968%
LGIM Cash Fund*	-0.0007%
LGIM AAA-AA-A Corporate Bond All Stocks Index Fund	-0.0276%
Schroders Global Equity Fund	0.4400%
Schroders Diversified Growth Fund	0.3400%
Schroders Dynamic Multi-Asset Fund	0.2200%
Schroders All Maturities Corporate Bond Fund	0.0000%
Other lifestyle Funds	
Adventurous lifestyle Fund	0.0072%
Cautious Lifestyle	0.0408%
Cash lifestyle Fund	0.0433%

(Source: Legal & General Investment Managers, Schroders)

*part of the Default lifestyle

A negative transaction cost indicates that transacting has resulted in a net revenue rather than a net cost for the fund.

03.01 Administration Charge

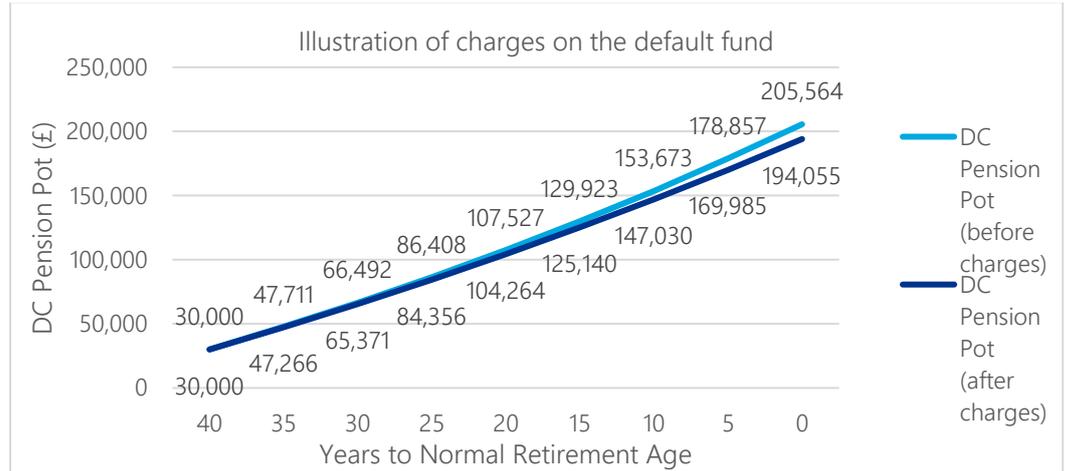
The Employer pays all administration charges with the exception of the small transaction costs detailed in this statement. The Employer also pays the cost of the death in service benefits as part of the Plan.

Charges and transaction costs

continued

03.02 An illustration of the charges levied on members

Below you can find an illustration of the effect of the Total Expense Ratio and transaction costs met by members. The below is an example pension pot, invested in the default investment strategy, and is in real money terms, taking into account the effect of inflation. Further information is in Appendix B.



Please note that this is for illustration purposes only. The actual returns received are likely to differ over time, as will individual member pension pot sizes. This illustration is based on:

- > The Plan's default investment option used by circa 93% of members (see Section 2).
- > An initial pension pot of £30,000
- > Contributions of 12.5% throughout the period, on earnings of £25,000 pa.
- > Investment returns estimated as 4.20% pa / 3.90% pa (gross/net of charges) for the LGIM Multi Asset Fund in which all monies are invested until 10 years before the member's Normal Retirement Date.
- > Investment returns estimated as 1.40% pa / 1.26% pa (gross/net of charges) for the LGIM Over 15 Year Gilts Index Fund and 0.19% pa / 0.07% pa (gross/net of charges) for the LGIM Cash Fund. Monies are gradually switched into over the 10 years before the member's Normal Retirement Date.
- > Inflation of 2.5% pa and salary increases of 2.5% pa.
- > The Investment Manager Charges as stated in the above section, which are correct as at 31 December 2020 (they may have changed since then).

Charges and transaction costs

Continued

03.03 What are the assumptions based on?

In preparing these illustrations, the Trustees have had regard to:

- > The Department for Work and Pensions' 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes';
- > Actuarial Standards Technical Memorandum 1 (AS TM1 v4.2) issued by the Financial Reporting Council; and
- > The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20.

04 Core financial transactions

04.01 Assessing Core Transactions

During the year, the Trustees ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Plan's core financial transactions were processed promptly and accurately by:

- > having an agreement in place with XPS Pensions Limited (as "Plan Administrator" or "Administrator"), committing them to defined service level agreements ("SLAs"). Amongst other matters, this covers the accuracy and timeliness of all core financial transactions;
- > having XPS Pensions Limited report on their performance against the SLAs above as a means of monitoring that the SLA requirements are being met and to cover what they do to ensure no issues arise; and
- > having the Plan auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

Where any error or issue is identified, the Trustees take appropriate steps to resolve and take action as required. We can confirm there were no material issues in the Statement period on which to report. As part of the journey-planning, a risk register is maintained in order to minimise the occurrence of any issues and to understand any root cause.

The core financial transactions include:

- > **The investment of contributions** - The Plan Administrator monitors the payment of contributions to the Plan by the Company, ensuring that these are paid within statutory timescales. Any late payment outside these timescales is reported directly to the Trustees and appropriate action taken. The settlement of all DC funds is actioned promptly by the Administrator and the Trustees monitor the service standards of the Administrator.
- > **The transfer of assets relating to members into and out of the Plan** – The Administrator maintains and reconciles comprehensive records of individual member's contributions and fund values. Contributions are invested within 5 working days of receipt. Any investments withdrawn or transferred to another scheme are processed within 12 working days following receipt of all relevant paperwork, subject to any investigations required where there is evidence of a pensions scam.
- > **The transfer of assets relating to members between different investments within the Plan** – Transfers between Plan investments take place annually in December and are accomplished as quickly as possible usually in a matter of days..
- > **Monitoring of bank accounts** – There is a dedicated contribution processing team, checking investment and banking transactions.
- > **Payments to members** – All payments out of the Plan in respect of members' benefits are made in line with standard checks. This includes agreed processes and authorisation levels to ensure any payment made is calculated correctly and in line with the Plan rules and legislation and also complies with HMRC rules and guidance. In addition, every effort is made to check for possible pension scams.

Noting the requirement for accurate member data to process contributions and payments correctly, the Trustees are taking steps to continually review and where necessary, correct any problems with the member data which is held by the Plan Administrator. This is reported each year to the Pensions Regulator in the online scheme return.

05 Value for Members

05.01 Assessment of Value

When assessing the charges and transaction costs which are payable by members, the Trustees are required to consider the extent to which the investment options and the benefits offered by the Plan represent good value for members when compared to other options available in the market.

The Trustees have concluded that the charges and transaction costs shown in this Statement represent good value for members having considered the following elements:

- > the **processes that are in place** to ensure the efficient administration and governance of the Plan (which include those explained in the 'Core financial transactions' and the 'Knowledge and understanding of the Trustees' sections of this Statement);
- > the **returns achieved by the investment funds** compared to the charges and transaction costs that are met by members (as set out in this Statement);
- > the **type and range of investment options** that are offered do allow members to target the most popular retirement choice(s). In addition, a range of self-select funds, covering a broad range of asset types, are available for those who wish to manage their own investment approach. The Trustees regularly monitor both the performance and appropriateness of the funds and can take action to make changes when required. Each year, the Trustees review at a meeting the member investment choices to look at how members' funds are invested. The Trustees discuss whether it is satisfied that the investment funds offered and communications concerning those investment funds are appropriate and offer members the opportunity to maximise the value of contributions to the Plan;
- > the **quality of communications** and other services provided to members on an annual and ad-hoc basis which are provided by the Plan Administrator within the legal timescale;
- > the Plan is a **contributory** defined contribution pension scheme. The majority of active members contribute, through their own contributions or those of the Company, 9% of the member's annual pensionable earnings each year;

05.02 Service Providers

In addition to assessing the costs charged by service providers, the Trustees keep providers' service levels under review. This is to ensure that the services provided reflect the SLAs and continue to meet the needs of the members.

As an example, meetings are held with XPS Pensions Limited representatives to discuss their performance as third party administrator in order to ensure that administrative performance meets the standards set by the Trustees.

In order to ensure the services provided remain the most appropriate and offer value for members, the Company and Trustees will from time to time put services out to tender.

05.03 Communications

Good member communications are crucial to achieving good value. The Trustees and Company are engaged in ongoing efforts to improve communications with members. This includes the possibility of providing web-based communications for members. Another aim of the Trustees is that their service providers introduce, where possible, more user-friendly and online communications for the membership.

Value for Members

Continued

As an example, the Trustees remind all members annually whether they are invested in the default strategy and stresses the importance of reviewing their investments on a regular basis to make sure they remain appropriate to their needs.

05.04 COVID-19

Throughout 2020 the development of the global pandemic caused by the COVID-19 virus had significant impact on the value of members' funds. The impact on the investment markets has seen the biggest fall since the crash in 2008, although there has been some recovery in markets through 2021

The Trustees carried out an extensive assessment to ensure that they could still effectively carry out their duties to govern the Plan. This included seeking assurances that all providers were able to maintain their services while in the unprecedented situation of lockdown.

The Trustees reviewed the Plan's Risk Register as well as a COVID-19 Checklist recommended by the Regulator to ensure that all services remained effective. This included checking the Plan administrator's procedures around the increased risk around Pension Liberation.

05.05 Flexibility - accessing benefits

The Trustees offer members direct access to Flexi Access Drawdown direct from the Plan. In addition, members (who meet prescribed conditions under legislation) also have the option to take an Uncrystallised Funds Pension Lump Sums.

The benefits of membership include (amongst other things), the design of the default arrangement and how this reflects the interests of members in matching the investment profile to their desired retirement choice.

05.06 Conclusion

Assessment of value for members is an ongoing process and the Trustees undertake a review each year to ensure the Plan continues to offer good value, and that any changes in legislation, market conditions or member views are reflected for the benefit of members.

06 Trustee Knowledge and understanding

06.01 Knowledge and understanding of the Trustees

The Trustees are satisfied that it has complied with the knowledge and understanding requirements set out in section 248 of the Pensions Act 2004.

The Trustees have knowledge of the law relating to pensions and trusts, principles of investment and the requirements for funding a pension scheme. This is evidenced by the Trustees' interaction with its advisers as shown in the Trustee Meeting minutes, and the governance framework established by the Trustees.

The Trustees have access to key Plan documentation through a central portal.

The Trustees have exercised their discretions and powers in line with the Trust Deed and Rules, current legislation and, where required, legal advice has been taken, demonstrating its working knowledge of the Plan's Trust Deed and Rules.

06.02 Trustee Training

In-house training is offered, use of the Pensions Regulator's (TPR's) online Trustee Toolkit is encouraged, and trustees attend external seminars and updates. Any new trustee would be expected to carry out this training and be fully conversant with the Plan's documentation within six months. A log of trustee participation in training is maintained by the Trustees, and the Trustees are regularly polled regarding the training that they would find most valuable and to identify any gaps in knowledge.

The Trustees' advisers provide in-meeting training on new legislation and literature published by TPR relating to its Codes of Practice, in particular Code of Practice no. 13.

During the period covered by this Statement the Trustees had a number of training sessions, covering the following areas:

- Disaster planning for pandemics (COVID19)
- Implications of deferring DRCs
- Legal training on furlough

The Trustees also make use of a team of expert advisers. Investment advisers, representatives from the third party administrator, and other experts including legal advisers regularly attend meetings of the Trustees.

06.03 Conclusion

As a result of the training activities completed by the Trustees (both individually and collectively), and taking into account the professional advice available, I am confident that the combined knowledge and understanding of the Trustees have enabled them to properly exercise their function.

07 Conclusion

“Overall, the conclusion is that the Plan is continuing to deliver value for money to the members”

The annual production of this Statement provides members with a narrative of how the Trustees look after members’ interests, especially in the areas of the five key elements within this Statement listed below.

- > Default investment strategy
- > Charges and transaction costs
- > Core financial transactions
- > Providing Value For Members
- > Trustee Knowledge and Understanding

The Trustees will continue to monitor these key areas and report to members both via the annual Chair’s Statement and other communications as appropriate. In conclusion, with the continual monitoring and the reviews detailed here, I am pleased to be able to submit this report in accordance with the Chair’s Statement requirements. I believe that the Plan was operated and governed appropriately during the reporting period.

Signature

Date

Name

Will Michelmore

Qualification

Chair of the Trustees

St Austell Brewery Company Limited
Retirement Benefits Plan

