Young & Co.'s Brewery, P.L.C. Pension Scheme

Statement of Investment Principles

2021 Edition

Young & Co.'s Brewery, P.L.C. Pension Scheme

Statement of Investment Principles – 2021 Edition

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Young & Co.'s Brewery, P.L.C. Pension Scheme

Statement of Investment Principles – 2021 Edition

1. INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustee of the Young & Co.'s Brewery, P.L.C. Pension Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended by The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and any subsequent additional requirements.

The Scheme provides final-salary related benefits. This document outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustee, to ensure the effective implementation of these principles and the investment policy.

In preparing this Statement, the Trustee has obtained and considered written advice from an appropriately qualified individual and consulted with the Sponsoring Employer. The advice and consultation process considered the suitability of the Trustee's investment policy for the Scheme.

This statement is effective from 1 October 2021 and supersedes all previous statements.

2. INVESTMENT OBJECTIVES

The investment objectives of the Scheme are to achieve an overall rate of return that will aim to ensure:

- sufficient resources are available to meet all liabilities as they fall due; and
- investment returns are maximised at an acceptable level of risk.

The Trustee believes the investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

3. TRUSTEE

3.1 Decision-making

The Trustee of the Scheme takes investment decisions as a complete body rather than a formal investment sub-committee, although sub-committees may be formed from time-to-time to examine specific issues. This more straightforward approach recognises the input that each director can and may wish to make in the formulation of the Scheme's investment policy. The duties of the Trustee include, but are not limited to, the following tasks:

- the ongoing approval of the content of the Statement;
- the appointment and regular review of the investment managers and investment advisers;
- the assessment and regular review of the performance of each investment manager;
- the assessment and regular review of the performance of Young & Co.'s Brewery, P.L.C.'s share price;
- the setting and regular review of the investment parameters within which the investment managers can operate;
- the assessment and regular review of all financially material (including Environmental, Social and Governance) risks associated with the investment of scheme assets;

- the assessment of the risks assumed by the Scheme at an overall Scheme level as well as on a manager-by-manager basis;
- the approval and review of the asset allocation benchmark for the Scheme;
- deciding the extent to which non-financial matters are taken into account;
- the review of the engagement and voting activities of the underlying investment managers; and
- the compliance of the investment arrangements with those principles set out within the Statement.

The Trustee formally reviews the content of the Statement following any significant change in investment policy on not less than a triennial basis.

3.2 The Trustee

The Trustee of the Scheme is Young's Pension Trustees Limited (the "Trustee"), a corporate trustee, appropriately constituted with company and member-nominated directors in accordance with current legislation.

4. INVESTMENT ADVISER

The Trustee has appointed Gemmell Financial Services Limited ("Gemmells") as independent investment advisers to the Scheme. Gemmells provide advice as and when the Trustee requires it, as well as highlighting any investment-related issues which should be brought to the attention of the Trustee from time to time. Gemmells are primarily remunerated on a fixed-fee basis. Estimates of the likely cost of any additional work to be undertaken are provided to the Trustee, before the work commences.

The Trustee's investment advisers are authorised and regulated by the Financial Conduct Authority ("FCA").

5. INVESTMENT MANAGERS

The Trustee has delegated discretion for the day-to-day management of its funds, including short-term asset allocation and stock selection, to its fund managers, within the confines of this Statement.

The Trustee, after considering appropriate investment advice, has appointed Insight Investment Management (Global) Limited, Legal & General Investment Management Limited, Schroder Investment Management Limited and Nordea Asset Management as investment managers to the Scheme.

- Insight Investment Management (Global) Limited has been appointed to manage the Liability Driven Investment ("LDI") mandate and collateral requirements (referred to as the Liquidity Waterfall);
- Legal & General Investment Management Limited has been appointed to manage the global equity mandate;
- Schroder Investment Management Limited has been appointed to manage the diversified growth mandate (global equities, property, commodities, private equity, absolute return and high yield) for the Scheme; and

- Nordea Asset Management has been appointed to manage the absolute return and alternative investment strategies for the Scheme. The details of each fund and the basis of the contracts between the Trustee and its investment managers are provided in Appendix A.

The investment managers are remunerated on the basis of a fee, charged as a percentage of the assets that they manage in line with the Trustee's policies (including medium and long-term financial and non-financial performance).

With the exception of Insight, performance is measured against benchmarks for all managers and unsatisfactory performance for the Trustee may lead to investment managers being replaced. Insight manages the Scheme's LDI programme and will be measured by monitoring its ability to match agreed cashflows. The agreement with each investment manager has an indefinite term but can be terminated by the Trustee based on the managers' dealing terms, which are either daily or weekly.

The Trustee has not delegated the management of Young & Co.'s Brewery, P.L.C.'s shares, which form part of the assets of the Scheme, and the shares are not managed on a discretionary basis. To manage these shares, the Trustee monitors Young & Co.'s Brewery, P.L.C.'s financial performance and covenant strength on a regular basis and discusses whether any action is required to be taken. The regular monitoring includes reviewing the shares price and receiving updates from the Chief Financial Officer of Young's, which cover the company's sales, profitability and borrowing position amongst other things.

The investment managers are properly regulated by the FCA, in the conduct of their investment business.

6. INVESTMENTS

6.1 Types of investments to be held

The Trustee utilises the following asset classes, in order to enable it to meet the investment objectives of the Scheme:

- Government bonds;
- corporate bonds;
- cash;
- derivatives;
- UK equities;
- overseas equities;
- property;
- commodities;
- private equity;
- absolute return; and
- high yield.

If it is viewed necessary, the Trustee will also consider alternative asset classes when deciding on the different types of investment that are suitable for meeting the objectives of the Scheme.

6.2 Risk measurement and risk management process

The Trustee reviews the structure of the Scheme's assets and liabilities periodically and following each Triennial Actuarial Valuation of the Scheme and sets its investment strategy by taking into account analysis of prevailing economic and investment conditions. The Trustee may, on occasions, adopt an asset allocation position that moves away from that stated in the Statement of Investment Principles.

Following discussions in March and April 2021, the Trustee decided to implement a LDI strategy. The aim of the LDI strategy is to reduce the volatility of the deficit, by using a series of partially funded gilt and inflation-linked gilt pooled funds to hedge interest and inflation risks. After consultation with advisors and Young's Board, the Trustee decided to hedge the liabilities, so reducing the volatility of the deficit. The Trustee also decided to use a moderate amount of leverage in the LDI structure, so allowing some monies to be retained in Growth assets with the aim of earning a higher return and thus reducing the deficit over a ten to fifteen year period. The LDI structure was put in place in stages throughout 2021, with the final stage due to be completed by the end of 2021.

Insight Investment Management (Global) Limited ("Insight") was appointed in May 2021, to manage the Scheme's LDI assets.

As part of LDI implementation, the Scheme's bond investments have been switched into LDI with Insight, with some Growth assets also to be switched into LDI. The Trustee has reviewed the Growth asset portfolio, is comfortable with the investment managers and risk being taken, and has decided to retain the structure of Growth assets. The asset allocation benchmark post full LDI implementation is shown in section 6.3.

Except for the LDI manager, the Trustee has chosen investment managers who hold a diversified portfolio of assets to reduce the stock-specific risk faced by the Scheme. The Trustee has considered the following risks, which influence the investment approach:

- the risk of deterioration in the Scheme's funding level over the long-term;
- the risk of a shortfall of assets relative to the Pension Protection Fund liabilities;
- the risk of the employer being unable to support the Scheme;
- the risk that the investment return will not be sufficient to keep pace with the growth in the accrued liabilities and, in particular, price and salary inflation;
- the risk of mismatching the profile of the assets with the liabilities;
- the risk that the Trustee when requested to provide additional cash to manage leverage in the LDI structure is unable to do so within the required timeframe.
- the risk that the investment managers will not achieve the rates of return expected by the Trustee; and
- the risk that the investment managers do not take appropriate action to reduce financially material (including Environmental, Social and Governance) risks.

The Trustee is cognisant that implementing an LDI strategy should reduce deficit volatility from interest rate and inflation movements, however, the deficit will change for other reasons, some of which are outside of the Trustee's control (for example, mortality, actual earnings/pension increases being different from assumptions, as well as any changes to the Scheme's funding basis) and LDI cannot protect against these changes. The returns and volatility in respect of the Growth assets will also directly affect the funding level of the Scheme.

6.3 Balance between different types of investment

The Trustee has set an investment strategy, shown in the table below, with the objective of reducing volatility of the Scheme's deficit with investments in a LDI structure portfolio, whilst retaining some investment in Growth assets with the aim of reducing the deficit over the long-term. Growth assets are invested in passively managed global equities and actively managed diversified growth funds. The individual funds used within this Growth segment are subject to their own specific benchmarks.

The asset allocation benchmark, post full LDI implementation, is shown below:

LDI Assets		Growth Assets	
	%		%
LDI	**35**	**Nordea**	**6**
Liquidity Waterfall	**20**	**Schroders**	**9**
		Legal & General	**26**
		Young's Shares	**4**
Sub Total	*55*		*45*
OVERALL TOTAL			**100**

The Trustee has delegated to its Growth investment managers discretion over the day-to-day management of the Scheme's funds, including short-term asset allocation and stock selection. There is no formal rebalancing procedure in place. Contributions available for investment and any disinvestments required will be arranged in a pragmatic way in order to reflect the overall asset profile in the context of the Scheme's liabilities.

6.4 Expected returns

The Trustee is aware of the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns.

The Scheme's diversified growth assets are managed on an active basis, with the global equity assets managed on a passive basis. The assets managed on an active basis are expected to outperform their respective benchmarks, over the longer term. In targeting this level of outperformance, the investment managers are also expected to limit the potential for underperformance. The assets managed on a passive basis would normally produce a return as close as possible to the respective benchmark index return for each market. The LDI assets are actively monitored. The targets for each investment manager are detailed in Appendix A.

Overall, the absolute return achieved by the assets is expected to exceed the return required to fund the Scheme's liabilities over the medium to long-term, as assumed in the ongoing actuarial valuation.

6.5 Realisation of investments

The majority of the Scheme's assets are invested in quoted markets and are as readily realisable as the Trustee believes appropriate, given the cashflow position of the Scheme and the expected development of the Scheme's liabilities, both of which are monitored by the Trustee as appropriate.

The investment managers can be required to realise investments as soon as it becomes appropriate to do so.

6.6 Social, environmental and ethical considerations

In endeavouring to invest for the best financial interests of the beneficiaries, the Trustee has elected to invest primarily in pooled investment vehicles as this provides the Scheme with appropriate diversification, both by asset type and by individual security, which it is not believed could be obtained by holding assets directly.

The Trustee is aware of the financially material risks that might affect the Scheme, but has not adopted a formal and specific policy on how these should be managed. However, the Trustee has assessed its investment managers' policies in respect of these and social, environmental and ethical factors with respect to their selection of investments. The Trustee is satisfied that the managers are taking an approach which is consistent with the Trustee's beliefs and the long-term financial interests of the Scheme and its members.

The Trustee reviews the investment manager policies and their implementation on at least an annual basis and has therefore decided not to impose any additional social, environmental or ethical guidelines on its managers at the current time.

6.7 Governance considerations and Voting policy

The Trustee has concluded that the decision on how to exercise voting rights should be left with its investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. These policies are reviewed by the Trustee at least annually, to ensure they continue to follow the Trustee's beliefs.

Stewardship policy is implemented by the Trustee through adhering to the Myners report. This includes the Trustee engaging with stakeholders on conflicts of interest, risks, strategy, investment performance, capital structure and environmental and social impact.

The Trustee also receives and reviews, on an annual basis, reports on the voting actions taken by its managers and believes that actions taken are in the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Where the Trustee is specifically invited to vote on a matter relating to a policy or contract held with any of the Scheme's investment managers, the Trustee will exercise its right in the best interests of the majority of the Scheme's membership.

In terms of the direct holding of Young & Co.'s Brewery, P.L.C. shares, each Trustee Director considers the resolutions, discusses these as appropriate and votes in the best interest of the Scheme.

6.8 Monitoring portfolio turnover and costs

The Trustee recognises that portfolio turnover (being the frequency with which the assets are expected to be bought/sold) and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in the performance of its investment managers.

The Trustee reviews the portfolio turnover and resulting transaction costs annually with its investment adviser, based on the regular reports received from the investment managers. When the Trustee agrees a particular strategy and investment mandate, this will then set an expected level of turnover and transaction costs.

The Trustee reviews and monitors the actual level of the costs and turnover against this expected level.

7. MONITORING OF INVESTMENT ADVISER AND MANAGERS

7.1 Investment adviser

The Trustee measures the performance of its adviser on an ongoing basis, in a qualitative way.

7.2 Investment managers

The Trustee reviews the performance of the individual funds against the relevant benchmarks, using materials provided by the investment managers and the investment adviser.

8. CODE OF BEST PRACTICE

The Trustee is aware of the recommendations from the Myners report, with respect to greater transparency within its Statement. The Trustee has considered these recommendations when formulating its investment policy and has included them within this Statement, to the extent that it views appropriate. The Trustee intends to regularly review its compliance with the recommendations.

The six principles are detailed in Appendix B.

9. COMPLIANCE WITH THE STATUTORY FUNDING OBJECTIVE ("SFO")

The Trustee has completed its Statement of Funding Principles in accordance with the SFO and has established that the employer has a strong covenant, with the intention and ability to fund for the benefits as they fall due.

The general funding policy is:

- to achieve and maintain the SFO funding level at 100%;
- to give consideration to altering the investment strategy, should the Trustee be advised in future that not doing so might involve an unacceptably high risk that the SFO funding level could be unstable and adversely threatened; and
- to invest the assets such that the risk of deterioration of the SFO funding level is balanced against the risk of not achieving the other objectives set out in this Statement and the Statement of Funding Principles.

10. COMPLIANCE

The Scheme's Statement of Investment Principles, the annual report and accounts and other documents are available to members on request.

A copy of the Scheme's current Statement of Investment Principles plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment managers, the Scheme Auditor and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustee in October 2021

Signed on behalf of the Trustee by..

On ....08/10/21..

FULL NAME ....T. Sligo-Young..

POSITION ....Trustee Director..

APPENDIX A

Investment Manager Information

The Scheme invests in a combination of pooled funds with Insight Investment Management (Global) Limited ("Insight"), Legal & General Investment Management Limited ("L&G"), Schroder Investment Management Limited ("Schroder") and Nordea Asset Management ("Nordea").

The table below shows details of the investments held with Insight.

Fund	Benchmark	Objective	Contract
Insight Partially Funded funds as follows: **Index-Linked Gilts 2021-2030** **Index-Linked Gilts 2031-2040** **Index-Linked Gilts 2031-2040** **Index-Linked Gilts 2041-2050** **Index-Linked Gilts 2051-2060** **Index-Linked Gilts 2061-2070** **Gilts 2021-2030** **Gilts 2031-2040** **Gilts 2041-2050** **Gilts 2051-2060** **Gilts 2061-2070** **In the Liquidity Waterfall:** **Insight Liquidity Plus Fund** **Insight High Grade ABS Fund** **Insight Liquid ABS Fund**	N/A	To match the agreed cash flows.	Discretionary Investment Management Agreement.

The table below shows details of the investments held with L&G.

Fund	Benchmark	Objective	Contract
Legal & General Global Equity Market Weights (50:50) Index Fund	50% FTSE All-Share Index 50% FTSE World ex UK Index	To provide diversified exposure to UK and overseas equity markets.	Insurance policy issued by Legal & General Assurance (Pensions Management Limited).

The table below shows details of the investments held with Schroder.

Fund	Benchmark	Objective	Contract
Schroder Diversified Growth Fund	60% FTSE All-Share Index 40% FTSE World ex-UK Index (currency hedged)	To maximise long-term capital growth for clients by investing in a diversified mix of asset classes (global equities, property, commodities, private equity, absolute return and high yield). The fund has a target return of RPI+5% p.a. net of fees, over a period of 5-7 years.	Insurance policy issued by Schroder Pension Management Limited.

The table below shows details of the investments held with Nordea.

Fund	Benchmark	Objective	Contract
Nordea 1 – GBP Diversified Return Fund	3-month Sterling LIBOR +4%	The fund's objective is to provide shareholders with investment growth and achieve relatively stable income.	Contracts issued by Nordea 1, SICAV.

APPENDIX B

Myners Compliance

Principle 1: Effective Decision-making

- Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.
- Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Principle 2: Clear Objectives

- Trustees should set out an overall investment objective(s) for the scheme that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Principle 3: Risk and Liabilities

- In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities.
- These include sponsor covenant strength, the risk of sponsor default and longevity risk.

Principle 4: Performance Assessment

- Trustees should arrange for the formal measurement of the performance of investments.
- Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Principle 5: Responsible Ownership

- Trustees should adopt, or ensure their investment managers adopt, the Financial Reporting Council's Stewardship Code on the responsibilities of shareholders and agents.
- A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.
- Trustees should report periodically to members on the discharge of such responsibilities.

Principle 6: Transparency and Reporting

- Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
- Trustees should provide regular communication to members in the form they consider most appropriate.