Hydes' Brewery Limited Pension Scheme

Statement of Investment Principles

This Statement of Investment Principles ("the SIP") covers the Hydes' Brewery Limited Pension Scheme. Details of the implementation of the Scheme's investment principles are set out in a separate document, the Investment Implementation Document ("IID").

The Trustees take the Myners Principles into account when making decisions about the Scheme's investment arrangements.

Investment objective

The Trustees invest the assets of the Scheme with the aim of ensuring that all members' accrued benefits can be paid. The Scheme's funding target is specified in the Statement of Funding Principles, and the Scheme's funding position will be reviewed annually to assess the position relative to the solvency funding target and whether the investment policy remains appropriate to the Scheme's circumstances.

The Scheme's investment objective is to achieve, over the long term, a return on the investments which is consistent with, or better than, the long-term assumptions made by the Trustees in determining the funding of the Scheme. The objective is presently to achieve a return of around 1.6% per annum above the return on UK Government bonds (which are considered to move in a similar fashion to the calculated value of the Scheme's liabilities).

Investment strategy

The Trustees reviewed the Scheme's investment strategy in 2019 and decided to adopt a revised strategy comprising the following broad asset allocation:

Asset Class	**Proportion %**	**Control Range**	**Expected Return(1) (relative to fixed gilts) %**
Return Seeking Assets	**65.0**	**+/- 10.0**	-
Diversified Growth	11.0	11.0	3.5
Absolute Return Bonds	44.0	44.0	2.3
Property	10.0	10.0	2.5
Risk Reducing Assets	**35.0**	**+/- 10.0**	-
Liability Driven Investment (LDI) **(2)**	35.0		0.0
Total	**100.0**		**1.6**

(1) 10 year assumptions as at 31 December 2019 net of investment management fees
(2) The LDI mandate will utilise leverage in order to hedge a greater proportion of the Scheme's liabilities than the physical amount invested.

The expected returns shown in the above table represent long-term expectations; short-term returns in some asset classes may exhibit considerable variability. The returns shown represent expectations for the asset classes as a whole.

The above investment strategy was derived from careful consideration of the nature and duration of the Scheme’s liabilities, the risks of investing in the various asset classes, and also the strength of the Sponsor’s covenant. The Trustees considered the merits of a range of asset classes, including various “alternative assets”.

The Trustees recognise that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by annually assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of reducing volatility relative to the liabilities. The assets of the Scheme consist predominantly of investments admitted to trading on regulated markets.

The Trustees will generally use the flexibility permitted in the investment strategy to either improve the Scheme's expected return on assets for the targeted level of investment risk, and/or reduce the level of expected investment risk for the target return. The Trustees will also use their discretion to take account of market volatility and refrain from incurring excessive transaction costs by over-frequent rebalancing. The Trustees will always consult with the Scheme Sponsor on any fundamental strategic investment changes.

The LDI mandate is in place to hedge approximately 100% of the interest rate and inflation risks inherent in the Scheme’s liabilities on the Technical Provisions basis. The LDI weight will fluctuate (possibly materially) as a proportion of the Scheme’s assets over time but the hedging level is expected to remain fairly constant. As such the Trustees have a broad control range in place to allow for such movements.

Platform Provider

The Trustees have appointed Mobius Life (the “Platform Provider”), to manage all the assets of the Scheme, as detailed in the Scheme’s Investment Implementation Document.

Investment mandates

The Trustees monitor the overall allocation between the investment managers on a regular basis.

All decisions regarding the day-to-day management of assets, including rebalancing decisions, have been delegated to the Platform Provider via a written agreement.

Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme’s investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustees receive a 6-monthly performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the expectations of the Trustees. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the policies of the Trustees in this area.

Through the engagement described above, the Trustees will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee may review the relevant investment manager's appointment.

Employer-related investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005, except where the Scheme invests in pooled vehicles that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Scheme's value.

Direct investments

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to a fund manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the Sponsor and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy. The Trustees will consult with the Scheme Sponsor on any changes to this Statement.

Signed C A Hyde Date 28 September 2020

For and on behalf of the Trustees of the Hydes' Brewery Limited Pension Scheme.

Appendix A – Investment Beliefs

1. **Investment strategy is the most important decision and should be based on clear objectives**

Our long term goal is to generate returns required to fund our members' current and future pensions.

Clear objectives are at the heart of our investment strategy. Risk tolerance, return requirement and time frame are our central considerations.

Our strategy should aim to achieve the objectives with a high degree of confidence across a range of possible economic scenarios.

2 There's more to robust portfolio construction than diversification alone

Excessive diversification can introduce inefficiency, cost and fail to protect our portfolio in a downturn.

Pay-off profile of assets: We tailor the expected payoff profile of the Scheme's investments around our required objectives.

***True diversification*:** We optimise true diversification of underlying risk drivers.

3 We aim to select the most appropriate opportunities in the market

A strategy that buys the right asset, at a fair price, will serve us better than buying the wrong asset at a cheap price.

We consider the most appropriate potential market opportunities in order to help us achieve our long-term objective.

4 A long term mind-set can be used to enhance returns

As a long term investor we pursue incremental growth that rewards adherence to our strategic plan, rather pursuing short term opportunities rewarding speculation.

We will mitigate or manage risks that we are not rewarded for.

Returns are more predictable over a longer time period, as risk is diversified across different economic cycles.

5 Excessive costs will erode performance

An appealing investment opportunity can be wholly undermined by too high a cost base.

Passive management, where viable, is considered the default approach.

Active management is employed where value-add can be expected with confidence.

6 Good governance improves our decision making

We continuously strive to enhance our knowledge of the investment opportunities and risks facing the Scheme.

We monitor the performance of our strategy and investment managers to improve our decision making.

7 Our investment process reflects our beliefs on responsibly investing.

We recognise that positive ESG factors can have a positive influence on the long-term stability and returns of investments. However, mandates are selected with the purpose of maximising the chance of achieving the return objectives as set out in their mandates, which in combination aim to optimise the chance of achieving the Scheme's overall strategic objective.

The extent to which ESG and ethical considerations are taken into account in these decisions is delegated to the investment managers, acting within the guidelines and objectives set by the Trustees where practically possible.

Appendix B – Risks

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	**Definition**	**Policy**
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the Company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the Company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to be at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge c.100% of these risks on the Scheme's technical provisions basis.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and

	value of the investment.	to provide collateral to the LDI manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who account for ESG factors as part of their investment process.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	This is left to the discretion of the investment manager to deem whether currency hedging is appropriate.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees policies.	• As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustees will monitor the investment managers' engagement and voting activity on an annual basis as part of the implementation statement that supplements the Scheme's annual report and accounts. By doing this, the Trustees may indirectly incentivise the investment managers to make decisions based on non-financial information.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees policies.	• The Trustees review the performance of all the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range. .	• The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers	• The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. • For open ended funds (in which the Scheme invests), the duration is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.