

# Stag Brewing Pension Plan

Statement of Investment Principles – April 2024

## Introduction

This Statement of Investment Principles (“the Statement”) has been prepared for the Stag Brewing Pension Plan (“the Plan”) by Stag Brewing Pensions Limited (“the Trustee”) in accordance with Section 35 of the Pensions Act 1995, as amended, and the Occupational Pension Schemes (Investment) Regulations 2005, as amended by subsequent legislation.

The Statement outlines the principles governing the investment policy of the Plan and the activities undertaken by the Trustee to ensure the effective implementation of these principles. The Trustee has established an Investment Sub Committee (the “ISC”) (with documented terms of reference) to make investment recommendations to the Trustee, or if required, to take decisions on behalf of the Plan.

In preparing the Statement, the Trustee has:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer Limited, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustee’s investment policy for the Plan.

The Trustee will review the Statement formally at least every three years to ensure that it remains accurate. The Statement will be amended more frequently should any significant changes be made to the Plan’s investment arrangements. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

## **1. Investment Objectives**

The Trustee's primary objective is to endeavour to meet their obligations to the beneficiaries both in the short and long term, whilst minimising risk as far as possible. To this end, the majority of the Plan assets were used to fund the purchase of a bulk annuity contract with JUST Group Plc ("JUST"). The Trustee entered into the bulk annuity contract with JUST in December 2023 to secure 100% of the Plan's known liabilities. Under this contract the insurer is obligated to make payments to the Trustee in order to meet the Plan's liabilities to those beneficiaries insured under the policies. The remainder of the Plan's assets not used to fund the insurance premium are held in the Legal & General Investment Management ("LGIM") Sterling Liquidity Fund.

The Trustee's key objective is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefit basis. Progressing the Plan to a full buy-out is a strong consideration, and in order to complete a buy-out, the known members' benefits will need to be secured by means of individual annuity policies directly with the members, in accordance with the terms of the bulk annuity policy. The Plan will then be wound up. The decision to progress towards a buy-out will be at the Trustee and Company's discretion.

The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended). The Trustee selected JUST as the Plan's annuity provider having obtained and considered the written advice of Lane Clark & Peacock (LCP) and Mercer whom the Trustee considered to be suitably qualified to provide such advice at the time of entering into the contract.

The objective set out above and the risks and other factors referenced in this Statement are those that the Trustee determines to be financially material considerations in relation to the Plan.

## **2. Investment Strategy**

The Trustee has adopted the following investment strategy for the DB section assets (both buy-in and residual) and has been effective since 12 December 2023:

Buy-in assets

Portfolio	Benchmark Weight	Description
<b>Bulk Annuities</b>	<b>100.0</b>	Buy-in contracts under which the insurer is obligated to make payments to the Trustee to meet the Plan's liabilities.

The Trustee holds a bulk annuity contract with JUST that was purchased in December 2023 and cover all liabilities.

Residual assets

Portfolio	Benchmark Weight	Description
<b>LGIM Sterling Liquidity Fund</b>	<b>100.0</b>	Cash and money market instruments held in a pooled investment vehicle with an aim to provide liquidity and capital stability.

The LGIM Sterling Liquidity Fund has a benchmark of SONIA (Sterling Overnight Interbank Average) and an investment objective to provide diversified exposure and a competitive return in relation to the benchmark.

In addition to the above, there is a residual cash balance held in the Trustee Bank Account in order to meet ongoing expenses.

**3. Risk Measurement and Management**

The Trustee is aware of, and pays close attention to, a range of risks inherent in investing the assets of the Plan. The Trustee has sought to mitigate key risks by the purchase of the bulk annuity contract. The Trustee believes the following risks may be financially material over the future lifetime of the Plan (i.e. before completing buy-out and wind-up).

**Failure of the bulk-annuity provider (counterparty risk):** The risk that, between now and the completion of the buy-out, JUST may default on their obligations under the buy-in contracts. To mitigate this risk, before entering into the buy-in contracts the Trustee took appropriate advice and paid close attention to the financial strength, security and operational soundness of the chosen annuity provider at the point of purchase.

**Illiquidity:** The Trustee does not expect to be able to obtain cash from the buy-in policies other than to meet promised benefits as agreed with the provider. The Trustee

has considered this and has set aside cash, held in the LGIM Sterling Liquidity Fund and the Trustee Bank Account, in order to meet expenses and other potential liquidity needs.

**Lack of diversification:** The Trustee recognises that the decision to invest in bulk annuity contracts with a single provider, whilst reducing operational risks and complexity, represent a concentration of risk. However, after careful scrutiny of the provider prior to transacting, the Trustee is satisfied that the degree of risk taken is acceptable. In addition, JUST invests in a diverse portfolio of assets to mitigate this risk.

**Credit risk:** The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trustee acknowledges that the assessment of credit risk on individual debt instruments is delegated to the investment manager (LGIM) in the management of the Sterling Liquidity Fund.

**Interest rate and inflation risk:** This is the risk that the investment's value will change due to a change in the level of interest and expected inflation rates. The Trustee acknowledges that the interest rate and inflation risk related to individual debt instruments is managed by the investment manager (LGIM) through a combination of strategies such as diversification, duration and yield curve management.

#### **4. Expected Return**

The nature of the bulk annuity contracts mean it is not useful to consider their expected return. Rather they are expected to meet the benefits as they fall due. This could be viewed as producing sufficient return to meet the Plan's liabilities.

#### **5. Day-to-day management of assets**

The Plan has buy-in contracts with JUST which account for the vast majority of the Plan's assets. The residual assets are held in a cash fund with LGIM and in the Trustee Bank Account with the Royal Bank of Scotland plc, which is managed by the Plan's appointed administrator, Capita.

#### **6. Additional assets**

The Trustee holds additional assets that are earmarked for the benefit of certain members. These may include for example:

- assets secured by additional voluntary contributions (AVCs) or other arrangements made individually with the Trustee;
- deferred or immediate annuity policies purchased to match part or all of the Plan's liabilities.

Currently, Member's AVC assets are invested with Prudential.

## **7. Investments/disinvestments**

The Plan's liabilities are met by the annuity contract with JUST. JUST are responsible for the realisation of assets within the bulk annuity contracts in order to make the payments due under the contract.

Any further investments and disinvestments from the Plan will be at the discretion of the Trustee.

The current disinvestment framework for the Plan uses the LGIM Sterling Liquidity Fund and the Trustee Bank Account as a reserve to meet the Plan's ongoing cashflow requirements.

## **8. Investment manager terms and conditions**

The Plan holds insurance policies written by JUST, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and the Financial Conduct Authority ("FCA"). Under the policies, JUST are obligated to make payments to the Trustee in order to meet the Trustee's liabilities to the Plan's beneficiaries, in respect of the benefits insured under the respective policies. JUST's liabilities are to the Trustee and not to the underlying beneficiaries at the present time.

## **9. Responsible Investment and Corporate Governance**

The Trustee believes that environmental, social and governance ("ESG") factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

However, since the Plan's principal asset is a bulk annuity contract and the Plan's residual assets are small and invested in a pooled cash fund, it is not possible in practice to take ESG factors into account in the retention and realisation of these investments. As

noted above, the Trustee obtained and carefully considered professional advice before entering into the bulk annuity contract, including the selection of JUST as insurer.

Given the nature of the Plan's investment policy, member views and non-financially material considerations are not taken into account in the selection, retention and realisation of investments.

## **10. Monitoring of Investment Managers, Advisers and decision making**

### **10.1. Investment Adviser**

The Trustee continually assesses and reviews the performance of their advisor.

To do so, the Trustee will consider the objectives it set for its investment adviser in the document entitled "Strategic Objectives for Investment Consultancy Services" which was signed and formally adopted by the Trustee in December 2022.

### **10.2. Investment Managers**

The Trustee continually assesses and reviews its investment manager (LGIM). The Trustee utilises the investment adviser's forward looking manager research ratings in decisions around the selection, retention and realisation of manager appointments. These ratings are based on the investment adviser's assessment of the investment manager's idea generation, portfolio construction, implementation and business management.

### **10.3. Portfolio turnover costs**

The Trustee does not currently monitor portfolio turnover costs for the Fund in which it is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

## **11. Compliance with this Statement**

In line with the Occupational Pension (Investment) Regulations (2005), the Trustee is required to review the Statement at least every three years and without delay after any significant changes in investment policy. Any such review will be based on written investment advice and the Sponsoring Employer will be consulted.

This document was signed on 25 May 2024. This unsigned version is for online purposes only.

The Trustee will review this Statement in response to any material changes to any aspects of the Plan, its liabilities, its finances and the attitude to risk of themselves and the Sponsoring Employer which they judge to have a bearing on the stated investment policy.

This Statement is available to members upon request.

**Signed on behalf of the Trustee by**.....

**On** .....

**Full Name** .....

**Position** .....