ST AUSTELL BREWERY COMPANY LIMITED RETIREMENT BENEFITS PLAN (the Scheme)

Governance Statement
1. As Trustees of St Austell Brewery Company Limited Retirement Benefits Plan we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator’s:

- Code of practice 13: Governance and administration of occupational defined contribution (DC) trust-based schemes
- Regulatory guidance for defined contribution schemes.

2. Based on our assessment, the Trustees continue to work towards adopting the standards of practice set out in the DC code and DC regulatory guidance. The Trustees have agreed an action plan to ensure the Scheme achieves and maintains good practice standards and delivers better outcome for members at retirement. The action plan will be reviewed by the Trustees throughout the year. A key focus has been on ensuring that the Trustees are compliant with the General Data Protection Regulation, and remain so going forward.

Chair’s Statement
1. Governance of the Default Arrangements: The Trustees have prepared a statement of the investment principles governing decisions about investments for the purposes of the default arrangement, which is set out below. This was reviewed alongside the Scheme’s overall Statement of Investment Principles (SIP) which was signed in August 2018 and is available to members on request.

The Trustees regularly engage with the Scheme’s investment consultants, Trigon Pensions Limited (Trigon), who obtain a commercially attractive cost for members and are able to review these costs against the wider defined contribution market. A full DC Fund Review was carried out in December 2017 which covered the following items:

a) Funds available including lifestyle strategies and corresponding risk ratings and fees
b) A review of any changes made to funds over the course of the year
c) Performance of the funds with an analysis of underperforming funds and comment on the ongoing suitability of the funds available. Particular focus was placed on the Default Fund. The Trustees are comfortable that performance of the default arrangements continues to be in line with the aims and objectives of the funds.
d) Membership summary to ensure funds cover ranging member profiles and demographics. The Trustees are comfortable that the range of funds and subsequent performance is suitable for all membership profiles and demographics.
e) Value for members was assessed and benchmarked
f) DC flexibilities within the Scheme.

Objectives of the Default Fund
The Default Fund is the Balanced Lifestyle Fund (with Legal & General) which initially invests in the Multi-Asset (formerly Consensus) Index Fund. During the final 10 years, the profile gradually switches so that 75% is invested in the Over 15 Years Gilt Fund and 25% in the Cash Fund. The objectives of these funds is noted below:
The Multi-Asset (formerly Consensus) Index Fund aims to meet the criteria of the ABI Mixed Investment 40-85% Shares sector. The Fund is expected to have a level of risk which is equivalent to two thirds of the volatility of a global equity portfolio, over the long-term. This Fund is passively managed.

The objective of the Over 15 year Gilt Fund is to track the performance of the FTSE A Government (Over 15 Year) Index to within +/- 0.25% p.a. for two years out of three. This Fund is passively managed.

Finally, the objective of the Cash Fund is to perform in line with 7 Day LIBID, without incurring excessive risk. The Fund is actively managed, and holds sterling deposits with a range of high quality financial institutions. The Fund may also hold UK Treasury Bills or other short dated debt issued by the Government or other public sector bodies.

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.

Over the course of the year, the Trustees reviewed the Funds available to members and corresponding performance, with particular focus on the Default Fund. The reviews took place during Trustee meetings rather than carrying out a written analysis. The last full DC Fund Review was carried out in December 2017 and the next one is due to be carried out during 2019.

The Trustees are comfortable that the performance of the Default Fund remains consistent with the aims and objectives of the overall strategy. As the Trustees consider the Default Fund to remain appropriate, no change has been made to the default arrangement over the course of the year. Trustees continue to consider this arrangement to be the most suitable for the membership as a whole.

**Realisation of investments**
The assets held by the Investment Managers are readily marketable. Notice for realisation of assets can be given on any working day for any amount. All units issued by the Investment Managers and credited to the Trustees are redeemable at bid prices.

Any redemptions that are made will be disinvested using the authorised price on that given day plus any applicable charges.

**Social, Environmental and Ethical Considerations**
The Trustees’ duty is to act in the best financial interests of the Scheme’s beneficiaries. Applying social, environmental and ethical considerations to investment policies may have, from time to time, a detrimental effect on investment returns which could conflict with that duty.

The Investment Managers have provided a copy of their policies on this subject and the Trustees are satisfied with their approach to socially responsible investment.

The Trustees have delegated to their Investment Managers the exercise of corporate governance issues, including the exercise of voting rights to investments.

2. **Core Financial Transactions:** The Trustees have a duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members)
relating to the DC section of the Scheme are processed promptly and accurately. The Trustees delegate the processing of these transactions to a third party administrator, Trigon, and their Investment Managers, Legal & General and Schroders. The Trustees receive quarterly administration reports from Trigon including service levels (reporting on all services carried out by the Scheme’s administrators). The Trustees are therefore able to monitor the timeliness of all core financial transactions and the service provided to members directly. An independent auditor undertakes an external audit of Trigon’s administrative processes and controls (AAF 01/06) on a triennial basis which provides further assurance to the Trustees. The Trustees have an Internal Controls Policy/ Risk Register in place to mitigate potential risks relating to core financial transactions and this is reviewed by the Trustees at least annually.

In terms of processing core financial transactions, no issues were identified through the year and following the annual audit process.

3. Charges and Transaction Costs: The Administration Regulations require the Trustees to make an assessment of charges and transactions costs borne by DC section members and the extent to which those charges and costs represent good value for money for members. Members pay the fees associated with their investments; the Company pays for all adviser costs.

The Annual Management Charge (AMC) for the Default Fund will depend on the underlying funds in which the member is invested (ranging from 0.10% p.a. to 0.25% p.a.). This is lower than the charge cap of 0.75% p.a. and the Trustees are satisfied that they have secured a good deal for members having taken advice from investment consultants who are familiar with industry standards and practices.

The AMCs for other funds utilised by members range from 0.10% p.a. to 0.70% p.a. as detailed in below table:

<table>
<thead>
<tr>
<th>Legal &amp; General Funds</th>
<th>Fees as at 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AMC*</td>
</tr>
<tr>
<td>Global Equity (70:30) Index Fund</td>
<td>0.16</td>
</tr>
<tr>
<td>UK Equity Index Fund</td>
<td>0.10</td>
</tr>
<tr>
<td>Multi-Asset (Formerly Consensus) Fund</td>
<td>0.25</td>
</tr>
<tr>
<td>Property Fund</td>
<td>0.70</td>
</tr>
<tr>
<td>Over 15 Year Gilts Index Fund</td>
<td>0.10</td>
</tr>
<tr>
<td>AAA-AA-A Corporate Bond All Stocks Index Fund</td>
<td>0.15</td>
</tr>
<tr>
<td>Cash Fund</td>
<td>0.13</td>
</tr>
</tbody>
</table>

*AMC: Annual Management Charge
^TER: Total Expense Ratio and OCF: Ongoing Charges Figure - Is the total charges applied allowing for transition fees, stamp duty costs etc.
Bid/ offer spread - these represent the transition charges that are applied
Fees are fully inclusive of all expenses
With regards to LGIM’s ‘other fees’ column, these consist of various charges such as broker costs, stamp duty etc. however also include the anti-dilution levy. This is the amount of benefit to the on-going holders of the fund to offset the impact of transactions caused by cash flows into or out of the fund. This figure is a negative and for the funds below these have outweighed the other costs within the calculation.

### Schroders Funds Fees as at 31 December 2018

<table>
<thead>
<tr>
<th>Schroders Funds</th>
<th>AMC*</th>
<th>OCF ±</th>
<th>Bid/offer spread</th>
<th>Other fees?</th>
<th>Transaction costs (%) (as at 30 June 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity Fund</td>
<td>0.50</td>
<td>0.53</td>
<td>0.07</td>
<td>No</td>
<td>0.24</td>
</tr>
<tr>
<td>UK Equity Portfolio</td>
<td>0.50</td>
<td>0.51</td>
<td>0.06</td>
<td>No</td>
<td>0.08</td>
</tr>
<tr>
<td>Diversified Growth Fund</td>
<td>0.60</td>
<td>0.64</td>
<td>0.08</td>
<td>No</td>
<td>0.32</td>
</tr>
<tr>
<td>Dynamic Multi-Asset Fund</td>
<td>0.35</td>
<td>0.40</td>
<td>0.04</td>
<td>No</td>
<td>0.25</td>
</tr>
<tr>
<td>All Maturities Corporate Bond Fund</td>
<td>0.25</td>
<td>0.27</td>
<td>0.38</td>
<td>No</td>
<td>0.02</td>
</tr>
</tbody>
</table>

*AMC: Annual Management Charge  
±OCF: Ongoing Charges Figure – This is calculated by the AMC + any additional expenses.

Schroders have provided their transaction charges as at 30 June 2018, which are the most recent available.

Charges are disclosed to members via the Scheme’s Member Booklet. Members are entitled to one investment switch per year without charge, additional switches may incur a fee. The level of charges and transaction costs applicable to the Default Fund and other funds available to members represents good value for members.

Overall, the Trustees are satisfied that the Investment Managers continue to offer a good level of service (and in turn, good value for members) in terms of investment administration and reporting, fund choice and overall charges. Trustees therefore remain comfortable that Legal & General and Schroders should continue to provide investment management services to the Scheme.

In accordance with the Occupational Pension Schemes (Administration and Disclosure) Amendment) Regulations 2018 and relevant statutory guidance, the Trustees have provided an illustrative example using the following elements.

We have provided the illustration for the Pre-Retirement Default Fund (where the most members are invested) and the Funds with the highest and lowest assumed investment returns.

#### Contributing members

The schedule below provides an indication illustration of the real accumulated fund that might be available from the Scheme when a member retires at various time intervals. The notes below indicate the assumptions used within the illustration to arrive at the real accumulated fund.

The illustrations provide an indication of the values before any charges are incorporated and after all costs and charges are incorporated to assist in seeing the effect of all cost and charges.
## Projected pension pot in today’s money

<table>
<thead>
<tr>
<th>Years</th>
<th>Balanced Lifestyle Fund (default)</th>
<th>L&amp;G Multi Asset (formerly Consensus) Fund</th>
<th>Schroders Global Equity Fund</th>
<th>L&amp;G Over 15 Years Gilts Index Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before charges</td>
<td>After all charges and costs deducted</td>
<td>Before charges</td>
<td>After all charges and costs deducted</td>
</tr>
<tr>
<td>1</td>
<td>£17,300.00</td>
<td>£17,200.00</td>
<td>£17,400.00</td>
<td>£17,500.00</td>
</tr>
<tr>
<td>5</td>
<td>£27,100.00</td>
<td>£26,900.00</td>
<td>£27,300.00</td>
<td>£27,400.00</td>
</tr>
<tr>
<td>10</td>
<td>£40,700.00</td>
<td>£40,200.00</td>
<td>£40,900.00</td>
<td>£41,000.00</td>
</tr>
<tr>
<td>20</td>
<td>£72,900.00</td>
<td>£71,000.00</td>
<td>£73,100.00</td>
<td>£73,300.00</td>
</tr>
<tr>
<td>30</td>
<td>£113,000.00</td>
<td>£108,900.00</td>
<td>£113,300.00</td>
<td>£113,500.00</td>
</tr>
<tr>
<td>40</td>
<td>£163,200.00</td>
<td>£155,200.00</td>
<td>£163,500.00</td>
<td>£163,800.00</td>
</tr>
</tbody>
</table>

### Notes:
- The projected pension pot values are shown in today’s terms and do not need to be reduced further for the effect of inflation.
- The starting pot size is assumed to be £15,000.00. This is the median pot size of members that are currently active in the Scheme.
- Inflation is assumed to be 2.5% each year.
- Contributions are assumed to be paid for the periods shown, start at £2,000 pa (i.e. the current median value of contributions in the Scheme) and increase each year in line with inflation measured by 2.5%.
- All values are estimates and cannot be guaranteed to apply for the future. What happens to your own individual circumstances may vary considerably from these general assumptions.
- It is also important to note that the amount of real accumulated fund will depend on the actual contributions paid, the way in which the fund is invested and the investment growth it achieves.
- The projected growth rates used for each fund are:

**Balanced Lifestyle Fund (default):**
- Before charges: 4.80%
- After all charges and costs deducted: 4.60%

**L&G Multi Asset Fund:**
- Before charges: 5.75%
- After all charges and costs deducted: 5.50%

**Schroders Global Equity Fund:**
- Before charges: 6.50%
- After all charges and costs deducted: 5.97%

**L&G Over 15 Years Gilts Index:**
- Before charges: 2.50%
- After all charges and costs deducted: 2.40%
2. **No further contributions**

The schedule below provides an indication illustration of the real accumulated fund that might be available from the Scheme when a member retires at various time intervals.

The notes below indicate the assumptions used within the illustration to arrive at the real accumulated fund.

The illustrations provide an indication of the values before any charges are incorporated and after all costs and charges are incorporated to assist in seeing the effect of all cost and charges.

<table>
<thead>
<tr>
<th>Years</th>
<th>Balanced Lifestyle Fund (default)</th>
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<td>1</td>
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<td>£10,300.00</td>
<td>£10,300.00</td>
</tr>
<tr>
<td>5</td>
<td>£11,100.00</td>
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<td>£11,600.00</td>
<td>£11,500.00</td>
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<tr>
<td>10</td>
<td>£12,400.00</td>
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<tr>
<td>20</td>
<td>£15,500.00</td>
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<td>£17,800.00</td>
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<tr>
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<td>£25,500.00</td>
<td>£23,700.00</td>
</tr>
<tr>
<td>40</td>
<td>£24,200.00</td>
<td>£22,500.00</td>
<td>£34,800.00</td>
<td>£31,700.00</td>
</tr>
</tbody>
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**Notes:**
- The projected pension pot values are shown in today’s terms and do not need to be reduced further for the effect of inflation.
- The starting pot size is assumed to be £10,000.00. This is the median pot size of members that are currently preserved in the Scheme.
- Inflation is assumed to be 2.5% each year.
- No further contributions are assumed to be paid.
- All values are estimates and cannot be guaranteed to apply for the future. What happens to your own individual circumstances may vary considerably from these general assumptions.
- It is also important to note that the amount of real accumulated fund will depend on the actual contributions paid, the way in which the fund is invested and the investment growth it achieves.
- The projected growth rates used for each fund are:

  **Balanced Lifestyle Fund (default):**
  - Before charges: 4.80%
  - After all charges and costs deducted: 4.60%
L&G Multi Asset Fund:
Before charges: 5.75%
After all charges and costs deducted: 5.50%

Schroders Global Equity Fund:
Before charges: 6.50%
After all charges and costs deducted: 5.97%

L&G Over 15 Years Gilts Index:
Before charges: 2.50%
After all charges and costs deducted: 2.40%

4. **Trustee Knowledge and Understanding (TKU):** All Trustees have completed the Pensions Regulator’s Toolkit and Trustees attend regular pension training events. There is a requirement for all Trustees to complete the Trustee Toolkit within 6 months of appointment. Trustees are also required to have a working knowledge of the Deed and Rules, the SIP and various other policies.

The Trustees combine the knowledge and understanding of the board of Trustees, together with the advice which is available to them through their consultants and advisers, to enable them to properly exercise their function as Trustees of the Scheme.

Trustee training is a standing agenda item and is therefore discussed at every Trustee meeting. If any training needs are identified, these will be arranged as deemed appropriate by the Trustees. The Trustees maintain a training log which is updated throughout the year and is reviewed on an annual basis.

Signed: Will Michelmore (Chair of Trustees)
Date: 26th April 2019

St Austell Brewery Company Limited Retirement Benefits Plan