The Britvic Pension Plan ("the Plan") – Defined Benefit ("DB") Section

Annual Implementation Statement – 31 March 2023

1. Introduction

This statement, prepared by the Trustee Directors of the Plan ("the Directors"), sets out how, and the extent to which, the Statement of Investment Principles ("SIP") has been followed during the year to 31 March 2023 ("the Plan year"). This statement covers the DB Section of the Plan and should be read in conjunction with the SIP[1]. A separate statement has been prepared for the Defined Contribution section.

2. Statement of Investment Principles

2.1. Investment Objectives of the Plan

The objectives of the DB Section of the Plan included in the SIP dated March 2022 are as follows:

- *Invest the Plan's assets in the best interest of the members and the beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.*
- *To be fully funded on a self-sufficiency basis by 31 March 2026.*
- *To limit the likelihood of the funding level falling in the next three years.*

2.2. Review of the SIP

During the year, the Directors reviewed the Plan's SIP, and did not make any updates to the DB section.

In March 2022, a revised SIP was published reflecting changes to the Defined Contribution section.

2.3. Assessment of how the policies in the SIP have been followed for the year to 31 March 2023

The information provided in the following section highlights the work undertaken by the Directors during the Plan year to 31 March 2023 and sets out how this work followed the Directors' policies in the SIP.

In summary, it is the Directors' view that the policies in the SIP have been followed during the Plan year to 31 March 2023.

[1] Available on the pension plan website: https://www.britvic.com/investors/corporate-governance/pension-plan

Strategic Asset Allocation

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
1	**Kind of investments to be held and the balance between different kinds of investments**	Section 2.6	The Directors aim to review the Plan's investment strategy at least on a triennial basis or following any significant changes to the Plan. The Plan's investment strategy comprises a liability-hedging mandate (to hedge out the majority of interest and inflation risk associated with the Plan's liabilities), credit assets (including Multi-Asset Credit, Private Debt, Buy and Maintain Credit, Emerging Markets Debt), and a Property allocation. The Directors reviewed the Plan's investment strategy over the year and considered the role of Emerging Market Debt and Buy and Maintain Credit in the portfolio as it evolves over time. The Director's also reviewed the expected return of the agreed strategy, but agreed to defer any strategy changes until the completion of the 2022 actuarial valuation. No new investments were implemented during the course of the Plan year, and the Directors continue to hold investments within the Plan that are consistent with the policies in the SIP. Over the year there have been no changes to the SIP.
2	**Risks, including the ways in which risks are to be measured and managed**	Section 2.4	The Directors consider both quantitative and qualitative measures of risks when deciding investment policies, strategic asset allocation and the choice of fund managers / funds. The primary risks upon which the Directors focus are those arising through a mismatch between the Plan's assets and its liabilities and the risks associated with a deterioration in the strength of the Company's covenant. The Plan also maintains a risk register of the key risks, including the investment risks. This rates the impact and likelihood of the risks and summarise existing mitigations and additional actions. On a quarterly basis the Directors review the Plan's asset allocation compared with target and may make rebalancing decisions to ensure that the overall level of risk and return is maintained. On a quarterly basis, the Directors also review the LDI mandate in detail including the hedge ratio vs target and counterparty and collateral risks to ensure the mandate is operating as expected, and that the assets are hedging the interest rate and inflation risks as expected. In August 2022, the Directors agreed to take rebalancing action, as the latest quarterly asset allocation and LDI reporting highlighted an underweight LDI position vs. benchmark and a deteriorating collateral position, due to rises in yields. Following further material yield rises in September 2022, the Trustee Directors rebalanced the portfolio, Using proceeds from Emerging Markets Debt, Buy and Maintain Credit and Multi-Asset Credit to top up the LDI portfolio. Through October 2022 the Directors took further rebalancing steps to top up the LDI

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			portfolio and also reduced the target hedge ratios to 71% to protect the collateral position. The target hedge ratios were subsequently increased back to 80% in November 2022, following a recovery in gilt markets. The Directors review the performance of the managers on a quarterly basis and may invite managers to present to the Directors if there are any concerns on the performance or management team. In October 2023, the Directors will be publishing on the member website their first climate-related report covering the Plan year to 31 March 2023. This will set out the climate-related risks that the Plan is exposed to and sets out how the Directors monitor and manage those risks.
3	**Expected Return on Investments**	Section 2.8	The investment performance report is reviewed by the Directors on a quarterly basis. The investment performance report includes how each investment manager is delivering against their specific mandates. Over the 3 years to 31 March 2023, the Plan returned 10.3% p.a. relative to a benchmark of 9.8% p.a. on a net of fees basis.

Investment Mandates

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
4	**Securing compliance with the legal requirements about choosing investments**	Section 2.2 & 6	Over the year, the Directors received advice from Mercer in relation to the strategic asset allocation of the Plan and the role that some of the asset classes play. As noted in Policy 1, the Directors agreed to defer any strategy changes until the completion of the 2022 actuarial valuation. As noted in policy 2, the Directors received advice in Q3 and Q4 2022 on the asset allocation and target hedge levels, following impact of the material movement in gilt yields on the LDI portfolio.
5	**Realisation of Investments**	Section 2.10	The investment managers have discretion in relation to decisions around the liquidity of investments and the timing of realisation of investments, provided they remain within the parameters set out in the fund documentation. Investment in illiquid investments (i.e. private debt and property) must not exceed 15% of the Plan's total assets. The Directors will monitor this as part of future investment strategy reviews. As at 31 March 2023, the Plan held 12.7% of total DB assets in illiquid investments. The Plan's assets are invested in pooled funds, however many are subject to weekly or monthly dealing restrictions. The Directors therefore monitor the Plan's cashflow position on a quarterly basis to ensure there is sufficient liquidity within the Plan to allow for the pay-out of approved member benefit requests, private market

			drawdowns and any collateral calls from the LDI mandate. This monitoring includes a process to sell Plan assets in a particular order if additional cash is required to maintain the level of liability hedging in the LDI mandate ('cash collateral'), which manages the level of interest rate and inflation risk in the Plan. A cashflow policy has also been established to effectively manage the Plan's liquidity. Over the year the Directors took action on several occasions to ensure sufficient liquidity for both member cashflow and LDI collateral purposes (as noted above). Additional money, through the sale of overweight assets, was allocated to the Cash fund on several occasions in order to meet Plan Cashflow requirements, such as benefit payments. As noted under Policy 2, money was reallocated to the LDI portfolio during the Plan year.
6	**Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments**	Sections 2.2, 4.4, 5.1 & 5.2	The Directors utilise Mercer's manager research ratings (as set out in the quarterly investment performance reporting) when making decisions around selection, retention and realisation of manager appointments. The Directors' focus is on the medium and long-term financial and non-financial performance, but will put a manager 'on watch' if there are sustained short-term performance concerns. Over the year to 31 March 2023, Mercer had placed two managers 'on-watch' and one manager had a 'provisional' rating assigned. During the Plan year, the Directors opted to retain the investments and will keep these under review. A number of the key investment risks identified in the SIP were measured and managed via the investment strategy reviews carried out over the year. The Directors concluded the aggregate level of risk in the investment strategy was reasonable and necessary to produce the expected return required to meet the objectives of the Plan, with a view to carrying out a further review of the investment strategy following the conclusion of the 2022 actuarial valuation. Member views are not taken into account in the selection, retention or realisation of investments.

Monitoring the Investment Managers

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
7	**Incentivising investment managers to align their investment strategies and decisions with the Directors' policies**	Section 5.1 & 5.2	If an investment manager is not meeting performance objectives or targets, or the investment objectives for a mandate have changed, the Directors will review the fund appointment to ensure it remains appropriate and consistent with the Directors' wider investment objectives. Manager appointments were reviewed over the Plan year. The Directors met with a number of the Plan's managers over the year to discuss a range of topics, including recent performance against objectives, performance outlook and ESG integration.

			In addition, the Directors monitored the investment and Environmental, Social and Governance ("ESG") ratings assigned to each manager by Mercer on a quarterly basis.
8	**How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt and to engage with issuers of debt in order to improve their performance in the medium to long-term**	Sections 4.2 & 5.1	Where the Directors invest in pooled investment vehicles within the DB Section, they accept that they have no ability to specify the risk profile and return targets of the managers, but appropriate mandates can be selected to align with the overall investment strategy. The assessment of the medium to long-term financial and non-financial performance of an issuer is delegated by the Directors to the investment managers appointed by the Plan. The Directors' view is that these managers are in a position to engage directly with such issuers in order to improve performance in the medium to long term. Over the year, the Directors also monitored how each asset manager embeds ESG into their investment process and how the managers' responsible investment philosophy aligns with the Directors' own responsible investment policy via changes in the ESG asset manager ratings assigned by Mercer, and meetings with the managers as noted in Policy 7 above. As part of this implementation statement process, the Directors have also received and considered key engagement information from the managers, which is summarised in the Engagement Activity section that follows.
9	**Evaluation of the investment manager's performance and the remuneration for asset management services**	Section 5.2	To evaluate performance in respect of the investment managers, the Directors received and discussed investment performance reports on a quarterly basis. The reports presented performance information and commentary in respect of the Plan's investments. Such reports have information covering investment performance for the previous 3 months, 1 year and 3 years for the investment managers and at the total Plan level. The Directors reviewed the absolute performance, relative performance against a suitable index used as the benchmark, and/or against the managers' stated target performance (over the relevant time period). The investment managers' fees were outlined in the quarterly investment reports prepared for the Directors. The Directors will keep investment managers' fees under review and will seek to renegotiate fees where appropriate.
10	**Monitoring portfolio turnover costs**	Section 5.3	At present, the Directors do not formally monitor investment manager portfolio turnover costs but are looking to incorporate this into the wider investment manager monitoring process. Over the year the Directors received MiFID II reporting in respect of the Multi-Asset Credit Fund but did not formally analyse the information.
11	**The duration of the arrangement with the investment manager**	Section 5.4	Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Directors are dissatisfied, then they will look to

			replace the manager. The Directors are long-term investors and are not looking to change the investment arrangements on a frequent basis. For open-ended funds, there is no set duration for the manager appointments. The private debt mandates are in closed-ended funds and the Plan is invested in these assets for the lifetime of each individual fund. At the time of appointment, the investment managers provided an indication of the expected investment duration of their funds and have the discretion to extend the lifetime of the fund in line with the contractual documentation.

ESG Stewardship and Climate Change

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
12	**Undertaking engagement activities in respect of the investments** (including the methods by which, and the circumstances under which, Directors would monitor and engage with relevant persons about relevant matters)	Section 4	There were no changes to the Directors' engagement policy during the Plan year. In summary, the Directors expect manager's engagement policies to include all relevant matters, as defined in the investment regulations. The Directors review investment managers' policies and voting and engagement activities (where applicable) on an annual basis. As the Plan invests in pooled funds, the Directors require their investment managers to engage with the investee companies on their behalf. The Directors have not actively challenged any investment manager on engagement activity. A summary of the key engagement information from the managers is set out in the Engagement Activity section that follows. At present, Mercer's ESG asset manager ratings help the Directors to understand which managers are engaging and integrating ESG issues into their investment decision making and these are reviewed on a quarterly basis. The Directors also meet with managers periodically to receive further information on ESG integration.

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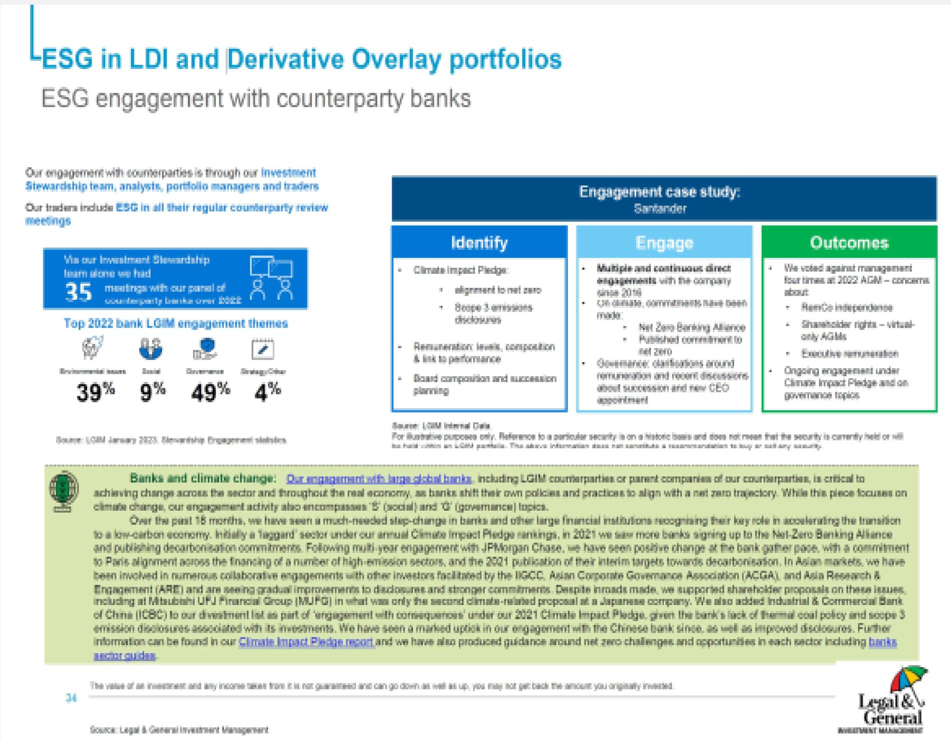
Voting Disclosures

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2023
13	**The exercise of the rights (including voting rights) attaching to the investments**	Section 4.2	There were no specific voting rights attaching to the Plan's investments held within pooled funds over the year, given there were no listed equity holdings. The Directors review voting rights attached to the pooled funds directly as they arise and take appropriate action. The Plan doesn't hold any listed equities, therefore they do not obtain any voting rights. However Trustees are asked to vote in some situations when the resolution relates to some of the Plan's funds.

Engagement Activity

LGIM Liability Driven Investment – Top Engagement Priorities

The Plan's liability hedging mandate, managed by Legal and General Investment Management Limited ('LGIM'), is the Plan's largest investment holding. A sample of the key engagement areas LGIM have focused on over the year in relation to liability driven investment are set out below.



Manager Engagements relating to the Plan's Fixed Income investments

Insight engage on ESG issues

In Q3 2022. Insight engaged with America Movil regarding a diversity topic. Insight identified that America Movil had poor governance scores. Insight used their proprietary tools to understand the drivers for these poor scores, which were influenced by the controlling ownership as a result of the multiple-equity class structure where the company's major shareholder, Carlos Slim and his family, hold >80% of voting rights. Insight also have concerns about the board's limited diversity, independence, and skills.

Through this engagement, Insight have been looking to manage the risks associated with a lack of board independence, effectiveness and diversity. Insight wanted to understand the company's willingness to change the board structure, and if they were, how they plan to change it. Insight pushed the issuer to set targets related to board representation and diversity, in addition to diversity within the company holistically, like industry leaders.

Meetings with America Movil have been hosted by the relevant analyst with support from the RI stewardship team. All meetings have been private in nature and various members of the IR and ESG team have been involved.

In the company's 2022 Sustainability Report, Insight were pleased that they established a new target to increase board diversity to three female directors, representing 21% of the board, which it achieved by appointing Gisselle Jiménez as a new director. This board-level diversity target is integrated into the company's strategy as it was added as a target within America Movil's Sustainability Linked Loan (SLL) structure. The company also refreshed their Board Diversity Policy, which includes the ambition to 'set measurable objectives to achieve gender diversity with the ultimate goal of having a composition of the Board where each gender represents at least thirty percent (30%).'

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Schroders Emerging Markets Fund – Engagements