

Britvic Pension Plan - DC Section

Annual Implementation Statement – for year ending 31 March 2021

1. Introduction

This statement is the annual Implementation Statement (“the statement”) prepared by the Trustee of the Britvic Pension Plan (the “Plan”) covering the scheme year from 1 April 2020 to 31 March 2021.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the Plan’s Statement of Investment Principles (“SIP”) has been followed during the year,
- detail any reviews of the SIP the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review,
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

The operation of the DC Section of the Britvic Pension Plan has been delegated by the Trustee to a bundled arrangement with Aegon. Aegon undertake the administration, provision of the range of investment funds and much of the member communications. AVC policies are also held with Prudential and Zurich.

The DC Section assets are invested in a range of pooled investment funds with Aegon whose underlying investment managers are Legal & General Investment Management (“LGIM”), BlackRock and HSBC. This significantly simplifies the operational aspects of the Plan for the Trustee but means that the Trustee has limited ability to engage directly with the investment managers. Similarly, as the Trustee does not invest directly with LGIM and BlackRock, the investment managers do not have visibility of the Trustee’s holdings as the DC Section’s investments are made via Aegon’s pooled investment funds.

2. Review of, and changes to the SIP

Update to the SIP in September 2020

The SIP at the start of the scheme year was the SIP dated 11 September 2019.

The SIP states that the Trustee will review the SIP at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments. Following a review, the SIP was updated, and the revised

version signed on 4 September 2020 having obtained and considered the written advice of Willis Towers Watson in relation to the DC Section. The changes the Trustee made included the following statements:

- as the DC Section only invests in pooled investment funds, the Trustee cannot directly influence or incentivise investment managers to align their management of the funds with the Trustee’s own policies and objectives.
- the Trustee will seek to ensure that the investment objectives and guidelines of any investment fund used are consistent with their own policies and objectives, including to understand the investment manager’s approach to sustainable investment (including engagement).

The amendments also included explanations of how the Trustee considers manager appointments, portfolio turnover costs and manager turnover.

The SIP will be reviewed following completion of the DC investment review, see below.

3. Adherence to the SIP

The Trustee considers that the DC Section of the SIP has been following during the Plan year to 31 March 2021. This Statement provides details of how this has been achieved and covers those parts of the SIP which set out the Trustee’s policies.

The Trustee reviews the suitability of the default option on a 3-year basis and during the Plan year the Trustee commenced a review of the DC investment options including the default. This is expected to lead to changes in the underlying investment funds during the 2022 Plan year.

Investment beliefs

As part of the DC investment review the Trustee undertook a beliefs session at the Trustee meeting on 9 December 2020. This was designed to capture Trustee Director views in a range of areas relevant to the DC investment strategy including mission, member needs, value, sustainable investment, the default investment, engagement and choice and governance and was summarised in DC investment beliefs statement. This process formed an important reference point for the subsequent investment review.

Policy area	Reference in the SIP	Adherence to the SIP
Strategic management of the assets	(SIP 3.3 - 3.8)	<p>During the Plan year the Directors have managed the Plan assets by continuing to offer members a range of lifestyle investment options that support the ways in which members typically draw their benefits at retirement namely lump sum, annuity, and income drawdown.</p> <p>As a part of the investment review the way in which members take their benefits was reviewed as well as the risk profile of the growth and consolidation phases. No changes were made to either</p>

		<p>the default or the alternative lifestyle options and the approach has remained consistent with the policies set out in the SIP.</p> <p>The Directors also offer a range of self-select investment funds recognising that members have a range of investment needs and objectives</p>
Default investment option – the Drawdown Lifestyle	SIP 3.11 – 3.15	<p>As part of the review of the default option during the Plan year the Trustee considered wider industry experience and member demographics. It was agreed to retain a Drawdown Lifestyle as the default option in line with the SIP as this was suitable for the majority of members.</p> <p>The Drawdown Lifestyle continues to allocate 25% of members’ accounts to cash as they approach retirement in line with the policy which remains consistent with industry experience</p> <p>The Trustee uses mainly passive funds as the constituent funds underlying the default option and only uses actively managed funds where there is no passive alternative. The proposed changes to the investment funds will remain consistent with this approach.</p> <p>The Default continues to target a balanced risk/return profile during the growth phase. During the investment review the Trustee reviewed alternative portfolios for comparative purposes.</p> <p>During the Plan year the Company reminded active members of the importance of reviewing their Target Retirement Age noting the changes to State Pension Age and the impact TRA can have on retirement outcomes.</p>
Responsible investment and corporate governance	SIP 4.1 – 4.3	<p>During the year the Trustee further reviewed the impact of responsible investment and its impact on investment outcomes as part of the investment beliefs session. It was agreed to introduce consideration of ESG factors within the default investment option and lifestyle options.</p> <p>The Britvic Equity fund will be updated to take account of ESG factors in line with the Trustee’s SIP policy. It was noted that LGIM as the manager of the Diversified fund, a constituent of the Britvic Diversified fund and Balanced Fund, had introduced a number of ESG based exclusions and was intending to further integrate ESG factors in the fund.</p>
Investment manager appointments	SIP 5.1	<p>The SIP notes that the DC Section only invests in pooled investment funds and so the Directors have no direct influence over the investment managers or their voting policies.</p> <p>However, the Directors do seek to understand the investment managers approach and accordingly LGIM were invited to present to the Trustee on their approach to stewardship of assets and integrating sustainability at the September Trustee 2020 meeting. The presentation set out LGIM’s</p>

		approach and provided the Trustee with assurance that the proposed LGIM fund additions were consistent with the Directors' policies and objectives.
Monitoring of DC investment options/managers	SIP 2.9 and 5.2	<p>The Trustee meets quarterly to conduct its business, which includes monitoring the DC Section's investment strategy and performance. The DC investment advisor will update the Trustee in between these meetings if a particular issue arises with Aegon or one of the funds made available within the DC Section.</p> <p>The Trustee's advisers prepare a quarterly update, including a summary of the membership, DC assets, fund performance against their benchmark, fund updates (including risk and volatility monitoring), market updates'. These are presented at each Trustee meeting.</p> <p>The Trustee monitors the Prudential With-Profits Fund Additional Voluntary Contribution (AVC) and Zurich With-profits AVC arrangement on an annual basis. The Trustee receives a monitoring report which considers the financial strength of the fund, asset allocation, performance assessment and pay out analysis.</p>
Portfolio turnover costs	SIP 5.3	The Trustee completed the Value for members assessment and explicitly considers and monitors transaction costs which can be considered a proxy for portfolio turnover costs. These are set out in the Chair's statement.
Manager turnover	SIP 5.4	The LGIM 30:70 Global Equity Index fund is no longer considered optimal given the availability of alternative options, due to its UK bias relative to the size of global markets and will be replaced as part of the investment changes in 2022.

4. Investment manager approach to sustainable investment

The investment managers for the Aegon funds selected by the Trustee are LGIM, BlackRock and HSBC. The fund range is set out in the Chair's statement.

As the DC Section of the Plan is delivered via a bundled platform, and the investment funds are predominantly passively managed, the Trustee has no direct interaction with the underlying investment managers. This is reflected in amendments to the SIP during the Plan year.

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the underlying investment managers. The Trustee recognises that long-term sustainability issues, including climate change, have an impact on investment risk and outcomes.

A summary of engagement activity including corporate engagement and voting is provided for each investment manager and set out in Appendix 1.

Appendix 1 – DC section – Voting and engagement

The Trustee has not set any specific guidelines around manager voting.

The Trustee invests in pooled investment funds and as set out in the SIP, the Trustee's policy is to delegate the day-to-day ESG integration and stewardship activities (including voting and engagement) to the investment managers.

The Plan's investment funds cover a range of asset classes; however this section focuses on the equity investments which have voting rights attached. The fund managers have their own voting policies which determine their approach to voting, and the principles they follow when voting on investors' behalf. The providers also use proxy voting advisors which aid in their decision-making when voting and details are summarised below.

BlackRock use of proxy advisor services

BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis which contribute to, but do not determine, BlackRock's voting decisions which are made by the BlackRock internal stewardship team.

BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship team can readily identify and prioritise those companies where BlackRock's own additional research and engagement would be beneficial. They do not follow any single proxy research firm's recommendations.

LGIM proxy voting decision process:

LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decision.

LGIM use ISS recommendations to augment their own research. LGIM's internal investment stewardship team also use research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

LGIM have a custom voting policy in place which includes specific voting instructions which apply to all markets globally. LGIM have the ability to override any vote decisions which are based on this custom voting policy if they see fit.

HSBC proxy voting decision process:

HSBC uses Institutional Shareholder Services (ISS) as its proxy voting service provider, for custom recommendations based upon HSBC's voting guidelines and for vote instruction. ISS provides custom recommendations for all companies held, whether in active or passive funds. Custom recommendations on passive holdings are reviewed by the stewardship team for the largest holdings and by active managers for holdings in common.

HSBC have global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.

Prudential proxy voting decision process:

Fund management has been delegated to a number of fund managers and carried out by those fund managers, who have provided descriptions of their policies as follows:

M&G - An active and informed voting policy is an integral part of our investment philosophy. In our view, voting should never be divorced from the underlying investment management activity. By exercising our votes, we seek both to add value to our clients and to protect our interests as shareholders. We consider the issues, meet the management if necessary, and vote accordingly. M&G use research provided by ISS and the Investment Association.

Prudential Portfolio Managers America - PPM's primary consideration in determining how to vote a proxy or other voting right is the financial interest of its clients. For equity securities, PPM generally votes all proxies in accordance with its proxy voting guideline summary, which is periodically reviewed and updated as necessary. The voting guidelines have been established with the assistance of Institutional Shareholder Services, Inc. (ISS), a proxy voting and consulting firm, and are designed to further the interests of clients when voting on particular proposals.

Eastspring Investments – Eastspring follow a principles based approach. All votes exercised are considered in the context of the principles set out in the proxy voting policy. As a general policy they are supportive of the management of the companies in which they invest. However, when companies consistently fail to achieve reasonable expectations, they will actively promote changes. Eastspring consider the issues, meets the management if necessary and votes accordingly. They would always seek to discuss any contentious resolutions before casting votes in order to ensure that objectives are understood and votes will be cast in the best interests of investors.

Summary of votes by managers

A summary of the votes made on behalf of the Trustees over the year to 31 March 2021 is provided in the table below:

	BlackRock DC Aquila (30:70) Currency Hedged Global Equity Index	BlackRock Emerging Markets Equity Index	BlackRock Diversified Growth	LGIM Global Equity (50:50) Index	LGIM Diversified Fund	LGIM Ethical Global Equity Index	HSBC Islamic Global Equity Index	Prudential With-profits (Covers 12 mths to 31 Dec 2020) *
No. of meetings at which the manager was eligible to vote:	5301	2472	928	3641	11,362	1274	2472	2181
No. of resolutions on which manager was eligible to vote:	59781	23180	11707	44680	115,604	18215	23180	28,798
Percentage of eligible votes cast:	95.19%	96.77%	95.84%	99.97%	98.98%	99.92%	96.77%	82%
Percentage of votes with management:	92.68%	90.79%	94.14%	83.56%	81.72%	83.77%	90.79%	93%
Percentage of votes against management:	7.22%	9.21%	5.86%	16.29%	17.71%	15.95%	9.21%	7%
Percentage of votes abstained from:	1.51%	2.77%	0.91%	0.15%	0.56%	0.27%	2.77%	1%
In what percentage of meetings, for which you did vote, did you vote at least once against management	n/a	n/a	n/a	5.46%	6.35%	5.13%	n/a	37%
What percentage of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser?	n/a	n/a	n/a	0.44%	0.2%	0.55%	n/a	N/A

*Prudential reporting information on voting was only available to 31 December 2020

Significant votes

The table below demonstrates the most significant votes, as determined by the fund managers, cast on behalf of the DC section of the Plan over the year to 31 March 2021:

Fund	Most significant votes cast
BlackRock DC Aquila (30:70) Currency Hedged Global Equity Index (Britvic Equity Fund)	<p>Company: Exxon Mobil Corporation</p> <p>Meeting date: May 2020</p> <p>Manager Resolutions: Re-election of two directors</p> <p>Shareholder Resolution: Require independent Board Chair</p> <p>Company management recommendation: For Manager Resolutions and Against Shareholder Resolution</p> <p>How the manager voted: Against Manager Resolutions and For Shareholder Resolution</p> <p>Rationale: BlackRock voted against the manager resolution because of insufficient progress on TCFD aligned reporting and related action and for failure to provide investors with confidence that the Board is composed of the appropriate mix of skillsets and can exercise sufficient independence from the management team.</p> <p>BlackRock voted for the shareholder resolution on account of their belief that the Board would benefit from a more robust independent leadership structure.</p>
BlackRock Diversified Growth	<p>Company: Barclays</p> <p>Meeting date: 7 May 2020</p> <p>Key Resolutions: Resolution 29: Approve Barclays' Commitment to Tackling Climate Change Resolution 30: Approve ShareAction Requisitioned Resolution</p> <p>Shareholder Resolution: A shareholder resolution (Resolution 30) asking Barclays to set and disclose targets to phase out the provision of financial services to the energy sector, as well as electric and gas utility companies that are not aligned with Articles 2.1(a) and 4.1 of the Paris Agreement.</p> <p>Company management recommendation: For Resolution 29 and Against Resolution 30</p> <p>How the manager voted: For Management resolutions and Against shareholder Resolution 30.</p> <p>Rationale: In January 2020, a coalition of investors filed a shareholder resolution (Resolution 30) asking Barclays to set and disclose targets to phase out the provision of financial services to the energy sector, as well as electric and gas utility companies that are not</p>

	<p>aligned with Articles 2.1(a) and 4.1 of the Paris Agreement. Following engagement with its shareholders and other stakeholders, including BlackRock, Barclays announced on 30th March 2020 updated ambitions with respect to tackling climate change. Barclays proposed its own resolution (Resolution 29) at its annual general meeting (AGM) to commit the company to a strategy, with targets, for alignment of its entire financing portfolio to the goals of the Paris Agreement. Barclays has committed to provide further details of the strategy by the end of the year.</p>
<p>BlackRock Emerging Markets Equity Index</p>	<p>Company: Korea Electric Power Corporation</p> <p>Meeting date: 9 November 2020</p> <p>Key Resolutions: Item 1.2: Elect Choi Young-ho as an Inside Director Item 2: Elect Choi Young-ho as a Member of the Audit Committee</p> <p>Company management recommendation: The board recommended voting in favour of these resolutions</p> <p>How the manager voted: For the resolutions</p> <p>Rationale: While there are concerns about the company’s coal projects in Indonesia and Vietnam, BlackRock voted in favour of the candidate for reasons including that the new director is a new nominee and therefore not responsible for KEPCO’s past decisions.</p>
<p>LGIM Diversified (Britvic Diversified Fund)</p> <p>LGIM Ethical Global Equity Index (Britvic Ethical Fund)</p> <p>LGIM Global Equity (50:50) Index</p>	<p>Company: Qantas Airways Limited</p> <p>Meeting date: 23 October 2020</p> <p>Shareholder resolution: Resolution 3 - Approve participation of Alan Joyce in the Long-Term Incentive Plan. Resolution 4 - Approve Remuneration Report.</p> <p>How the manager voted: LGIM voted against resolution 3 and supported resolution 4.</p> <p>Rationale: LGIM voted in favour of the remuneration report (resolution 4), citing the executive salary cuts, short-term incentive cancellations and the CEO’s voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. LGIM noted that concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. LGIM therefore voted against resolution 3 to signal its concerns.</p> <p>Outcome: About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM’s stronger stance on the topic of executive remuneration, in its view.</p> <p>Implications: LGIM will continue its engagement with the company.</p>
<p>LGIM Diversified (Britvic</p>	<p>Company: Whitehaven Coal</p> <p>Meeting date: 22 November 2020</p>

<p>Diversified Fund)</p> <p>LGIM Global Equity (50:50) Index</p>	<p>Shareholder resolution: Resolution 6 Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.</p> <p>How the manager voted: LGIM voted for the resolution.</p> <p>Rationale: LGIM voted in favour of the resolution, noting that the role of coal in the future energy mix is increasingly uncertain and that LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets.</p> <p>Outcome: The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. As the company is on LGIM's Future World Protection List of exclusions, many of its ESG-focused funds and select exchange-traded funds were not invested in the company.</p> <p>Implications: LGIM will continue to monitor this company.</p>
<p>LGIM Ethical Global Equity Index (Britvic Ethical Fund)</p>	<p>Company: International Consolidated Airlines Group</p> <p>Meeting date: 7 September 2020</p> <p>Shareholder resolution: Approve remuneration report</p> <p>How the manager voted: Against</p> <p>Rationale: LGIM were concerned about the level of bonus payments, which are 80% to 90% of salary for current executives and 100% of their salary for the departing CEO. LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders) throughout the Covid pandemic.</p> <p>Outcome: Pass</p> <p>Implications: LGIM will continue to engage closely with the renewed board.</p>
<p>HSBC Islamic Global Equity Index (Britvic Shariah Fund)</p>	<p>Company: Eli Lilly and Company</p> <p>Meeting date: 4 May 2020</p> <p>Shareholder resolution: Link Executive Pay to Social Criteria</p> <p>How the manager voted: For</p> <p>Rationale: HSBC favour proposals calling for the integration of extra-financial metrics in determining executives' variable remuneration.</p> <p>Outcome: Supported management</p>

	<p>Implications: HSBC consider this vote to be relevant on the basis it was cast against the management recommendation and covered a relevant issue such as the determination of executive compensation.</p> <p>HSBC contacted the company to explain its rationale and requested the opportunity to discuss this further and will vote similarly at future AGM when this issue arises again.</p>
<p>Prudential With-profits fund</p>	<p>Company: Royal Dutch Shell Plc</p> <p>Meeting date: 19 May 2020</p> <p>Shareholder resolution: The shareholder proposal requested that Shell set and publish targets across Scope 1, 2 and 3, aligned with the Paris Agreement. The proponent argued that Shell’s ambition to reduce its net carbon intensity by 50% by 2050 in a growing energy system would not ultimately lead to the level of absolute emissions reduction necessary to achieve the goals of the Paris Agreement. The proponent asked for more “aspirational” targets.</p> <p>How the manager voted: M&G voted for the resolution</p> <p>Rationale: In our view, the company should provide comprehensive disclosure to shareholders on its environmental impacts and risks.</p>