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

Annual Implementation Statement – 31 March 2022

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 2022 ("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 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 2022

The information provided in the following section highlights the work undertaken by the Directors during the Plan year to 31 March 2022 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 2022.

[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 2022
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 how the investment strategy could evolve over time as the Plan becomes better funded. 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. In Q1 2022, the Directors rebalanced the Plan’s strategy to address the underweight allocation to growth assets and bring the overall Growth allocation back in line with the benchmark allocation of 30%. The rebalancing was achieved through a switch from the Liability Driven Investment (LDI) portfolio managed by LGIM to the Multi-Asset Credit (MAC) portfolio managed by Mercer and the Emerging Market Debt (EMD) portfolio managed by Schroders.
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. As noted in Policy 1 of this Statement, over the year the Directors addressed the underweight allocation to Growth assets and the overweight allocation to Matching assets via a rebalancing exercise. 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. There were no issues raised as part of these quarterly reviews.

			The Directors also 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.
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 date, the Plan has returned 3.3% p.a. relative to a benchmark of 3.9% p.a. on a net of fees basis. The Directors received performance attribution analysis over the year from Mercer, and noted that the deviation in performance was mainly due to the impact of being overweight to asset classes which underperformed at periods over the 3 years.

Investment Mandates

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2022
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. As noted in Policy 1, the Directors looked at how the investment strategy could evolve over time as the Plan becomes better funded, with a focus on the new asset classes to be introduced that would form part of the long term strategy. In addition, the Directors received advice from Mercer in Q4 2021 in relation to the liability hedging portfolio. In particular, the advice focused on the level of inflation hedging given the material movements in inflation witnessed over the year. As a result, the Directors agreed to conduct a formal review of the Plan’s Liability Benchmark Portfolio as at 31 March 2022.
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 2022, the Plan held 8.7% 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.

			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 by disinvesting from the overweight LDI mandate (in line with the cashflow policy) and topped up the Cash Fund to ensure short term liquidity to meet cashflow requirements. In addition, the Directors carried out the rebalancing activity set out in Policy 1 of this Statement.
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 last quarter of 2021, Mercer had placed one manager 'on-watch', and subsequently downgraded the research rating for that manager in the first quarter of 2022. Following a review meeting with the manager the Directors opted to retain the investment. 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 triennial 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 2022
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 five 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 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. During the year, the Directors (via Mercer) negotiated a fee saving with the LDI portfolio manager, the Buy and Maintain Credit manager and both Emerging Market Debt managers.
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 from Mercer 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 2022
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 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.

Voting Disclosures

	Policy	Location in SIP	How the policy has been met over the year to 31 March 2022
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. Over the year the directors supported action carried out by Insight regarding the governance of an investment held within Insight Buy & Maintain Bond Fund.

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.

Shaping the future of our industry

- ✓ Leadership and active regulatory engagement
- ✓ Driving improvements in market standards
- ✓ Early adoption of change to deliver client benefits

Counterparty selection & engagement

- ✓ ESG factors key component of selection criteria
- ✓ Engagement to drive change

We had **48** meetings with our panel of counterparties over 2021

Top 2021 LGIM counterparty engagement themes

Environmental issues	Social	Governance	Strategy/Other
13%	44%	40%	3%

Underlying assets

- ✓ Ongoing DMO engagement
- ✓ Green gilts
  - ✓ Active engagement with DMO, Treasury and working parties on green gilts
  - ✓ Views on ESG impact, use-of-proceeds and bond maturity
- ✓ Sterling Liquidity Fund alignment with clients' ESG beliefs

Manager Engagements relating to the Plan’s Fixed Income investments

Insight engage on Carbon and environmental issues

In Q1 2022, Insight engaged in an annual review of the waterworks company, Severn Trent, discussing a range of topics predominantly regarding environmental issues.

Insight wanted to understand the carbon and water management plans of the company given their high climate risk rating.

Insight met with the utility’s analyst and the Treasurer of the Severn Trent where they discussed water stress levels and their ongoing plans for investment in river quality.

Insight were informed of a £500m river quality investment through the WINEP scheme.

Insight were also informed of the new ‘Get River Positive’ initiative and 5 pledges the company has signed up to:

1. Ensure storm overflows and sewage treatment works do not harm rivers

2. Create more opportunities for everyone to enjoy the region's rivers

3. Support others to improve and care for rivers

4. Enhance rivers and create new habitats so wildlife can thrive

5. Be open and transparent about performance and plans

Insight were satisfied with the developments and will continue to monitor progress against the five pledges.

ICG – Private Markets Pilot

ICG were an active contributor in the not for profit global disclosure system operator, the CDP’s private markets pilot 2021.

ICG contributed to the initiative with the objective of obtaining better climate related data across their portfolios. ICG believe that climate change may be a significant source of investment risk and/or opportunity, and as such ICG believe that reliable and comparable information related to how companies that ICG invest in manage their climate risk is essential.

ICG engaged with over 300 issuer and portfolio companies across ICG’s portfolios to participate in the CDP private markets pilot which involved contacting senior management team members and their sponsors individually.

ICG commented that despite there being relatively low engagement on the initial pilot, there was encouragement taken by the commitment of many issuers to begin measuring their carbon emissions and start reporting over the next 1-2 years.

ICG noted that they continue to maintain open dialogue with issuers as well as sponsors and added that they co-chaired the iCI working group on carbon footprinting to develop a Private Equity guide for Greenhouse gas accounting and reporting.