# Britvic Pension Plan

# The Chair's Annual Governance Statement to 31 March 2021

## 1) Introduction

This statement has been prepared by the Trustee of the Britvic Pension Plan to demonstrate how the Plan has complied with the governance standards introduced under the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018. It describes how the Plan has complied with the statutory governance standards during the Plan year ending 31 March 2021 that cover the following key aspects affecting the operation of the Plan:

- The default investment strategy and alternative investment arrangements
- Assessment of charges and transaction costs
- The monitoring of administration and core financial transactions
- The extent to which the Plan represents good value for members
- The Trustee Directors' compliance with the statutory knowledge and understanding (TKU) requirements.

In addition, where relevant, the statement includes the Additional Voluntary Contribution (AVC) arrangements with Prudential and Zurich.

## 2) The default investment strategy and other investment arrangements

### *Default is a Drawdown Lifestyle*

Based on industry experience the expectation is that most members will use their account for income drawdown when they reach retirement. The objective of the default option is to therefore target income drawdown so that members' accounts are aligned to this outcome at retirement.

### *Description of the default option*

Under the default option, members invest solely in the Britvic Balanced Fund until fifteen years before the members' Target Retirement Age (TRA). This fund invests equally in the BlackRock Aquila (30:70) Currency Hedged Global Equity Index Fund and Legal & General Investment Management Diversified Fund.

Fifteen years before TRA, members' accounts are gradually switched over five years into the Britvic Diversified Fund (which invests solely in the LGIM Diversified Fund). In the final three years before TRA, 25% of members' accounts are switched into the Britvic Cash Fund (which invests solely in the BlackRock DC Cash fund). The final allocation of the member's account at their target retirement age is 75% Britvic Diversified Fund and 25% Britvic Cash Fund.

### *Review of the default option*

The Trustee Directors periodically, and on no less than a three-yearly cycle, review the appropriateness of the default arrangement. If there are any significant changes in legislation, investment policy or member demographics an earlier review will be undertaken. The last triennial investment review was completed in March 2018 and changes to the investment funds making up the default were implemented in August 2018.

The Trustee Directors, with advice from their DC investment advisers, commenced a review of the default option in March 2021. The review considered a range of areas and whilst not concluded during the period covered by this statement, the progress made to date is summarised below:

- *Structure of the default* – The Trustee reviewed how members draw their benefits at retirement. It was agreed that a Drawdown Lifestyle remains a suitable default option for members as it reflects the way that the majority of members are expected to utilise their account when they reach retirement.
- *Growth phase* - The growth phase of the default represents the period when members are more than 15 years from retirement and uses the Britvic Balanced fund which has a 50:50 equity:multi-asset structure. The growth phase was modelled against alternative portfolios and it was agreed that it remained appropriate and no changes were recommended to the asset mix or timing of de-risking to the consolidation phase.
- *Consolidation phase* - Alternative portfolios composed of different asset mixes were tested to assess whether improvements could be made to the risk profile and return expectations for each of the lifestyle options, the default Drawdown, Annuity and Lump Sum but no changes were recommended.
- The Trustee did however agree that the Aquila (30:70) Currency Hedged Global Equity Index, a constituent of the Balanced fund and Equity fund, should be updated to a more globally diversified portfolio in order to reduce the current UK equity bias. The Trustee also agreed to the inclusion of an Environmental, Social and Governance (ESG) focus in the new equity constituent. This was also supported by the Company and an ESG integrated index, which takes account of ESG factors in company weightings is planned to be adopted.

***Statement of Investment Principles***

The Plan's investment strategy is set out in the Statement of Investment Principles ('SIP') which governs its decisions about investments including its aims, objectives and policies for the Plan's default arrangement. The default is designed to provide an investment option suitable for the majority of the members, taking into account their proximity to retirement by including lifestyle de-risking.

The SIP was last updated in September 2020 and covers the new requirements on fund manager remuneration and sustainable investments.

An extract of the Statement of Investment Principles covering the default strategy of the DC Section is included in the Appendix.

***Other investment options***

The Plan offers a choice of 3 Lifestyle strategies:

- Drawdown Focused (the default option)
- Annuity Focused
- Lump Sum Focused

The Lifestyle strategies use four Plan specific funds which enables the Trustee, with the help of its investment advisers, to make changes to the composition of the underlying funds, if they believe it is likely to be in the interests of members.

There is also a 5 year lifestyle strategy, though this is closed to new investors and only members within 5 years of TRA at August 2018 were left in the strategy, with all other investors switched to the new default.

The self-select funds enable members to design their own strategy by using the funds that meet their investment preferences.

The self-select funds are:

| Fund name | Underlying funds/managers | Type |
|---|---|---|
| Britvic Equity | BlackRock DC Aquila (30:70) Currency Hedged Global Equity Index | Passive |
| Britvic Diversified | LGIM Diversified | Active * |
| Britvic Shariah | HSBC Islamic Global Equity Index | Passive |
| Britvic Ethical | LGIM Ethical Global Equity Index | Passive |
| Britvic Balanced | 50% BlackRock DC Aquila (30:70) Currency Hedged Global Equity Index | Passive |
| | 50% LGIM Diversified | Active |
| Britvic Bond | LGIM Pre-Retirement | Active |
| Britvic Cash | BlackRock Cash | Active |

*The Britvic Diversified fund utilises passive components, but the manager will review the allocation of the asset classes on a quarterly basis, hence the classification as an active fund.

### *Performance of the default option*

The Trustee Directors review the performance of the default option and underlying investment funds during the year in line with the aims and objectives of the Statement of Investment Principles.

Equity markets suffered a significant downturn during the first quarter of 2020 as a result of the economic impact of the ongoing Covid-19 pandemic which meant the Plan started the year at a low point. The LGIM Diversified fund, a constituent of the Britvic Balanced and Diversified funds, insulated member assets from the full extent of the equity market downturn due to the diversified asset allocation of the portfolio and limited the downside loss to two-thirds of equity markets in line with its objective. Equity markets rebounded during the Plan year and recovered their losses so that the Plan's equity funds finished the year on the back of strong investment performance.

The performance of the funds within the default option are set out below.

| Fund | 1 year (%) | 3 years (%pa) | 5 years (%pa) |
|---|---|---|---|
| Britvic Balanced | **31.2** | **7.60** | **8.28** |
| *Trustee comparator (50% GBP LIBOR +3.5%, 50% Equity composite benchmark)* | 23.96 | 6.96 | 6.51 |
| Britvic Diversified | **20.57** | **-** | **-** |
| *GBP LIBOR +3.5%* | *3.77* | - | - |
| Britvic Cash | **-0.06** | **0.33** | **0.19** |
| Benchmark - 7 Day LIBID Rate | -0.09 | 0.32 | 0.27 |
| Britvic Bond | **2.17** | **-** | **-** |
| LGIM composite benchmark | 2.92 | - | - |

*Notes*

1. Figures shown are based on performance provided by Aegon to 31 March 2021
2. Performance data is net of charges including the annual management charge and additional expenses.

## 3) Assessment of charges and transaction costs

Member charges are deducted via the Annual Management Charge (AMC) which covers the administration and investment charges. In addition, there may be expenses associated with investing, such as custody fees, that are charged to the fund (shown as the Additional charge in the table below).

Transaction costs are necessarily incurred as a part of buying and selling the funds' underlying investments. Transaction costs are comprised of both explicit and implicit components. Explicit costs include fees charged by brokers to buy or sell securities and also taxes or levies charged by regulatory or tax authorities. Implicit costs include the impact of market movements and any costs as a result of a time delay between submission and execution of an order.

The charges that apply to the funds, as well as the transaction costs, are set out in the table below.

| Fund | Annual Management Charge (%) | Additional charge (%) | Total charge (%) | Transaction costs (%) |
|---|---|---|---|---|
| Britvic Equity | 0.32 | 0.01 | 0.33 | 0.06 |
| Britvic Diversified | 0.45 | 0.03 | 0.48 | 0.00 |
| Britvic Shariah | 0.55 | 0.00 | 0.55 | 0.02 |
| Britvic Ethical | 0.55 | 0.01 | 0.56 | 0.00 |
| Britvic Balanced | 0.39 | 0.02 | 0.41 | 0.03 |
| Britvic Bond | 0.37 | 0.00 | 0.37 | 0.04 |
| Britvic Cash | 0.20 | 0.03 | 0.23 | 0.01 |
| * Aegon BlackRock Diversified Growth | 0.65 | 0.05 | 0.70 | 0.53 |
| * Aegon LGIM Global Equity (50:50) Index | 0.35 | 0.02 | 0.37 | 0.00 |
| * Aegon BlackRock Emerging Markets | 0.35 | 0.06 | 0.41 | 0.00 |
| * Aegon BlackRock Over 15 Year Gilt Index | 0.25 | 0.01 | 0.26 | -0.04 |

*Legacy funds closed to new members. The legacy funds were closed to new members when the investment changes were introduced in 2018 and were constituents of the previous lifestyle option.

### *Transaction cost notes*

1. All data has been taken directly from information provided by the relevant manager.
2. Transaction costs for the funds have been calculated using the 'slippage' methodology. This is impacted by market moves between instructing and executing a trade so can result in negative costs if the price of the stock moves in the fund's favour before the trade is completed.

### *Prudential AVC funds*

The Trustee also offers members the option to pay AVCs to the Prudential With-profits and Deposit funds.

With-profits fund – All charges and other expenses are deducted from within the Fund and vary over time. Currently the charge is estimated by Prudential to be 1% per annum.

Deposit fund - The fund provides a return in line with the bank base rate, backed by assets of the With-profits fund, and therefore charges do not apply. The fund is closed to new investors.

**Zurich AVC funds**

Four members have AVCs in the Zurich With-profits fund. This policy is closed to new contributions. There are no explicit charges as costs and expenses are deducted within the fund prior to the application of bonus rates.

**£ and pence illustration**

To show the cumulative effect of charges and transaction costs over time, a '£ and pence' illustration example is provided with this Chair's statement. We have used a number of sample members, to show the cumulative effect over the period to normal retirement age, of the charges and transaction costs, on the value of a range of realistic and representative funds, account sizes and contribution rates. The illustration is shown in the Appendix, along with the assumptions used.

## 4) The monitoring of administration and core financial transactions

Plan administration, including the processing of financial transactions, is undertaken by Aegon (the Plan's administrator and investment manager) and by Prudential in respect of the AVC policy.

There is a service agreement in place with Aegon and Prudential and the Trustee and their advisers monitor the administration and core financial transactions of the Plan (including AVCs) at Trustee meetings. This is achieved through the quarterly reporting from Aegon and annual reporting from Prudential and the monthly monitoring of contribution payments by the Britvic pensions team.

Prudential has now moved away from transactional reporting, where each stage of a work item previously had its own service level agreement (SLA), to end to end reporting where the total time taken to deal with a work item is measured. The aim is that queries will be dealt with in a shorter number of days going forward.

***Aegon summary of processes and controls - Core financial transactions***

All processes including core financial transactions are conducted in accordance within a strict governance framework that complies with the International Standard on Assurance Engagements 3402, "Assurance Reports on Controls at a Service Organisation". The documentation received in support of all financial transactions requested on a member's account is fully reviewed for completeness before processing may commence. Checklists are in place to help ensure that all necessary information for financial transactions has been received and that all regulatory and service level requirements have been met. Checklists are reviewed by a senior administrator. A senior administrator will also review the financial transactions that have been keyed into the record keeping system for completeness and accuracy. Financial transactions include contributions, switches, refunds, transfer out payments, deaths and retirements. All requests for financial transactions are scanned into Aegon's work management system and tracked to ensure that they are actioned on a timely basis and completed in accordance with agreed service standards.

A daily report is run to verify that the dealing deadline is met. This report identifies members with a partially processed transaction and identified cases are investigated and actioned appropriately. During the Plan year financial transactions were largely completed within the agreed service standards. A small number of cases were identified which fell outside of service standards by one day.

### *Aegon reconciliation of member contribution and investment records*

All contributions are submitted through Aegon's online portal. The contributions are checked against expected contributions due and any variances by plus or minus 10% are investigated and the appropriate action taken to resolve any issues.

A daily checklist is run by Aegon's dealing team to verify that all dealing activities are completed accurately and on a timely basis. The checklists cover the dealing, pricing and reconciliation functions of the team. Dealing activities with fund managers include authorisation by two approved signatories. Daily holdings reconciliations are carried out between the recordkeeping system and the Dealing system to highlight any differences. Any exceptions are investigated and resolved and reviewed by a senior administrator.

### *Aegon service standards*

During October 2019 representatives on behalf of the Company and Trustee visited Aegon's offices in Peterborough to understand why service standards had deteriorated and what steps were being put in place to improve the position. Service standards have improved during 2020 however, there was a slight dip at the end of Q1 2021. In reality this related to a small number of low priority cases, but the Trustee continues to keep this under review.

A summary of the proportion of cases completed within agreed timescales is shown in the table below. Service standards are typically to complete 95% of actions in 5 days with shorter timescales for financial transactions.

| Reporting period | Cases completed in agreed timescales | |
|---|---|---|
| | Main Plan | Exec Plan |
| 1 April 2020 – 30 June 2020 | 94% | 92% |
| 1 July 2020 – 30 September 2020 | 96% | 96% |
| 1 October 2020 – 31 December 2020 | 95% | 100% |
| 1 January 2021 – 31 March 2021 | 92% | 86% |

In last year's chair's statement we noted that service standards (and in particular telephone support) had dropped in the early part of 2020 as Aegon staff rapidly transitioned to working from home. We are pleased to see that service standards were maintained during the year covered by this statement, under challenging circumstances.

### *Aegon financial transactions*

In relation to Aegon, all contributions have been received and invested on time. Generally, service level agreements have been met on core financial transactions with a few exceptions as noted above. The Trustee notes that delays to service standards for transfers and retirements can also be due to third parties outside of Aegon's control.

There were eight complaints received by Aegon during the year, of which two were upheld and in one case an ex gratia payment was made by way of apology.

***Prudential administration migration***

In Q4 2020 Prudential completed the migration of its administration from Capita (Hartlink) to Diligenta (BANCs). In January 2021 a major issue was discovered in relation to ‘money in’ processes which then also affected ‘money out’ processes. For members, the practical repercussions have meant delays to contributions being invested between October and December 2020 and consequently some being unable to disinvest when making retirement claims. The timing of the migration of work to a new platform with new administration processes in the middle of a pandemic meant the challenge and difficulty of training new staff was amplified in the remote environment, reducing operational capacity and increasing service disruption and backlogs.

The anticipated return to more acceptable levels of service continues to be delayed by the impact of the Covid pandemic.  Whilst efforts have been made to utilise additional resource in the UK, the majority of AVC tasks are completed in India, which was hit particularly hard by a surge in Covid cases.

In light of the disruption Prudential have provided updated timeframes for claims servicing. The timeframes have been very poor when compared to leading service levels for other workplace pension providers. Member helplines have also suffered and the Trustee recognises the frustration this has caused for members.

***Prudential service standards***

Prudential’s administration reports (which include financial transactions) covering the Britvic AVC arrangement had not been received from Prudential at the point of finalising this statement. Prudential supplies claims servicing figures covering all of its schemes for the average number of days taken for AVC tasks as well as the performance of the helpline. These are provided below.

| Task | w/c 22 March (days) | w/c 22 Feb (days) |
|---|---|---|
| Death Claims | 20 | 17 |
| Retirement | 14 | 26 |
| Transfers | 9 | 19 |
| Servicing | 23* | 22* |
| **Helpline** | **w/c 22 March (mins)** | **w/c 22 Feb (mins)** |
| Helpline- call waiting times | 34 | 26 |

***Prudential financial transactions***

The Trustee has not yet received reporting from Prudential on financial transactions during the Plan year. The Trustee is aware of one member that suffered a delay in relation to the disinvestment of his retirement benefits. This was resolved after liaison with Prudential with no financial loss to the member.

The Trustee has been concerned and disappointed by the delays at Prudential and the potential impact on members. Since the Plan year end covered by this statement, service standards have improved and are now in line with agreed service level agreements. However, there are expected to be continuing delays in relation to administration reporting and the issue of Annual Benefit Statements and Prudential has not indicated when these will be resolved.

### 5) The extent to which the Plan represents good value to members

The Trustee Directors are committed to ensuring that members receive good value from the Plan (i.e. the costs and charges deducted from members' accounts and contributions paid provide good value in relation to the benefits and services provided by or on behalf of the Plan). The Trustee Directors undertook their annual assessment of whether the total cost of Plan membership represented value for money in June 2021. This assessment was supported by a report prepared by the Plan's advisers.

To assess the total value members receive from the Plan, the Trustee Directors considered both the:

- Legal duty to assess value for members which for the Plan includes charges, investment, administration and communication.
- Broader elements of good value provided by the Plan that members do not meet the cost for, which include Plan governance and management.

An overview of the outcome of the report, which was carefully considered and accepted by the Trustee Directors is shown below:

| Area | VfM ratings 31 Mar 2020 | VfM rating 31 Mar 2021 | Rationale for rating |
|---|---|---|---|
| Overall | Good | Good | • Overall, the Plan's rating is maintained at Good |
| **Value for members** | | | |
| Charges | Good | Good | • The annual management charges for the default strategy is between 0.20% - 0.45%, which is below the charge cap of 0.75%.<br>• **In progress** - A review of charges is being undertaken as part of the DC investment review. |
| Investment | Good | Good | • The Trustee commenced a review of the default option in Q1 2021<br>• As part of the review the Trustee, following advice from Willis Towers Watson, has confirmed it is happy with the structure of the lifestyle options.<br>• **In progress** - Completion of the investment review will consider the suitability of the constituent funds and take account of ESG. |
| Administration | Sufficient | Good | • The Trustee has a detailed service level agreement (SLA) in place and receives quarterly reports to measure performance.<br>• Due to Aegon's service standards being largely above 90% throughout the year, we have improved our rating from 'Sufficient' to 'Good'.<br>• **In progress** - Continue to monitor Aegon service standards and ongoing service issues at Prudential. |
| **Broader elements of value** | | | |
| Communication | Good | Good | • The Trustee has overseen a number of new developments including:<br>- Aegon App - so members can oversee their account via phone and tablet<br>- Aegon Assist - a member guidance service<br>• The Trustee issued an update to members on DC matters. |
| Plan governance and management | Good/ Excellent | Good/ Excellent | • Costs associated with Trustee governance & oversight are met by the Company.<br>• **Action** - The Pension Regulator's new Code of Practice will require a substantial investment of time into governance practices in the next 12 months. |

In accordance with the Pensions Regulator's DC Code of Practice No 13 and with the relevant legislation, the Trustee Directors concluded that the Plan continues to represent good value for money for its members.

The Trustee Directors will carry out a Value for Members assessment on an annual basis and will continue to review the costs and transaction charges deducted each year to ensure they continue to represent good value to members.

## 6) The Trustee Directors' compliance with the statutory knowledge and understanding (TKU) requirements

### *Trustee Knowledge and Understanding (TKU)*

The Trustee agreed as part of its Training Policy that training should be 'just in time' and had an expectation that it would mainly be provided, as and when appropriate, as part of discussions around agenda items. In addition, the Trustee Directors TKU training included:

- Trustee training sessions as part of trustee meetings
- Attendance at trustee training seminars
- Encouraging Trustee Directors to sign up for advisers' newsletters on hot topics and general pension updates
- An annual review of the trustee training programme.

### *Trustee training*

The Trustee Directors maintain training logs recording training undertaken during the year. During the year the Trustees undertook a number of trustee training sessions as part of their meetings. These included a briefing on the Pensions Bill by Allen & Overy ("A&O") on 11 June 2020 and DC specific session on Investment and ESG at the 24 Sept 2020 meeting by LGIM and Willis Towers Watson. A session on DC investment beliefs was also held at the 9 December 2020 as part of the DC investment review.

The Trustee Directors have all completed the modules of the Pension Regulator's Trustee toolkit including the newly introduced Pension Scams module.

The Chair, Alison Bostock, has passed the PMI Certificate in DC Governance and is now an accredited professional trustee (with a requirement to complete 25 hours of CPD each year). Dinesh Visavadia also became an accredited professional trustee.

### *New Trustee Director Induction programme*

There were two new Trustee Directors during the year, Nick Jones and Tom Smethers.

When new Trustee Directors join the board, they undertake an induction session with the Britvic pensions team and additional training is provided by the Trustee's advisers which covers the DC Section of the Plan.

The induction training includes a:

- Basic introduction to pension schemes and their operation, and the trustee's roles/duties in relation to this;
- TKU requirements;
- Introduction to the Plan's trust deed and rules;
- History of the Plan
- Trustee protections.

### *Trustee policies*

The Trustee Directors have a number of policies in place which are reviewed on a regular basis and are summarised below.

| Policy | Date of last review | Date of next review |
|---|---|---|
| Chair’s Appointment Process | June 2017 | To be reviewed in 2022 once the requirements of the new combined Code of Practice are confirmed |
| Conflicts Policy | March 2021 | Annually, at Q1 board meetings |
| Cyber and Data Security Policy | March 2021 | Annually, at Q3 board meetings but last review had been deferred to Q1 2021. |
| Internal Dispute Resolution Procedure | December 2019 | Biannually, at Q4 Board meetings, or ad hoc when cases arise. Next review is due Q4 2021. |
| GDPR | In progress | Annually, at Q1 board meetings but has now been deferred to Q1 2022 |
| Member nominated trustee election procedure | December 2020 | As required; before selection process is due to take place |
| Anti-bribery policy | June 2020 | To be reviewed in 2022 once the requirements of the new combined Code of Practice are confirmed |
| Overpayments policy | June 2020 | Annually, at Q4 board meeting. Was not reviewed in Q4 2020 as it was only agreed in Q2 2020. Next review is due Q4 2021 |

### *Trustee knowledge and understanding – staying up to date*

The Trustee requests that A&O attends for relevant items at its Trustee meetings. The Trustee Directors therefore receive regular legal updates on legislative changes and the impact on the Plan and the existing rules so that they keep their knowledge of the law relating to pensions and trusts up to date.

A&O also contribute during meetings where advice or interpretation of the Trust Deed and Rules is required to supplement the Directors’ own knowledge of the trust deed and rules.

During the Plan year the Statement of Investment Principles (SIP) and Investment Principles Implementation Document (IPID) were revisited and updated and signed by the Chair on 4 September 2020.

DC matters are brought to the main Trustee Board so that all Trustee Directors are able to participate in its management and oversight.

### *Review of trustee effectiveness*

Inside Pensions, the Trustee’s secretariat, facilitated a review of TKU in June 2017. Anonymous questionnaires were completed by all the Directors covering all aspects of the Plan (DB and DC) and training arranged to cover the gaps as detailed in the 31 March 2018 statement. The next Trustee Effectiveness Review is planned for Q4 2021.

### In summary

The Trustee Directors recognise the importance of keeping their knowledge and understanding up to date, including when new Trustee Directors are appointed to the Board.  Overall we are satisfied that our combined knowledge and skills, supported by professional advice, enable us to run the Plan effectively.

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Signed by the Chair on behalf of the Trustee Directors of the Plan

## Appendix 1 - £ and pence illustration

The following tables gives a summary of the projected account values and the impact of costs and charges up to a normal retirement age of 65. The figures are presented using three member examples; young member, average member and a member approaching retirement. Additionally, the tables include the performance of the funds over different time periods depending on the age of the member.

| Example Member | Projection period (years) | Drawdown focussed | | Britvic Equity | | Britvic Diversified | |
|---|---|---|---|---|---|---|---|
| | | Before charges | After charges | Before charges | After charges | Before charges | After charges |
| Young member | 1 | £4,100 | £4,100 | £4,100 | £4,100 | £4,000 | £4,000 |
| | 3 | £7,300 | £7,200 | £7,400 | £7,400 | £7,100 | £7,100 |
| | 5 | £10,600 | £10,500 | £11,000 | £10,900 | £10,300 | £10,200 |
| | 10 | £19,600 | £19,200 | £20,800 | £20,400 | £18,500 | £18,100 |
| | 15 | £29,600 | £28,500 | £32,200 | £31,200 | £27,200 | £26,100 |
| | 20 | £40,500 | £38,700 | £45,400 | £43,600 | £36,200 | £34,500 |
| | 25 | £52,600 | £49,600 | £60,700 | £57,600 | £45,800 | £43,000 |
| | 30 | £66,000 | £61,500 | £78,500 | £73,700 | £55,800 | £51,800 |
| | 35 | £78,500 | £72,200 | £99,100 | £91,900 | £66,300 | £60,800 |
| | 40 | £90,200 | £81,700 | £122,900 | £112,700 | £77,400 | £70,100 |
| | 45 | £100,800 | £90,200 | £150,600 | £136,400 | £89,100 | £79,600 |
| Average member | 1 | £44,800 | £44,700 | £45,300 | £45,100 | £44,400 | £44,200 |
| | 3 | £54,800 | £54,200 | £56,300 | £55,700 | £53,400 | £52,700 |
| | 5 | £65,200 | £64,100 | £67,900 | £66,900 | £62,500 | £61,400 |
| | 10 | £92,500 | £89,600 | £100,300 | £97,600 | £86,200 | £83,300 |
| | 15 | £118,300 | £112,900 | £137,800 | £132,500 | £111,100 | £105,900 |
| | 20 | £144,800 | £136,300 | £181,300 | £172,300 | £137,300 | £129,000 |
| | 23 | £158,800 | £148,300 | £210,700 | £198,800 | £153,700 | £143,200 |
| Approaching retirement | 1 | £64,300 | £64,000 | £65,900 | £65,600 | £64,600 | £64,300 |
| | 2 | £68,400 | £67,900 | £71,900 | £71,400 | £69,300 | £68,700 |

| Example Member | Projection period (years) | Britvic Ethical | | Britvic Cash | |
|---|---|---|---|---|---|
| | | Before charges | After charges | Before charges | After charges |
| Young member | 1 | £4,100 | £4,100 | £3,900 | £3,900 |
| | 3 | £7,400 | £7,400 | £6,700 | £6,600 |
| | 5 | £11,000 | £10,800 | £9,300 | £9,200 |
| | 10 | £20,800 | £20,100 | £15,300 | £15,100 |
| | 15 | £32,200 | £30,700 | £20,600 | £20,200 |
| | 20 | £45,400 | £42,500 | £25,300 | £24,700 |
| | 25 | £60,600 | £55,900 | £29,500 | £28,600 |
| | 30 | £78,400 | £71,000 | £33,200 | £32,000 |
| | 35 | £98,900 | £88,000 | £36,400 | £35,000 |
| | 40 | £122,600 | £107,200 | £39,300 | £37,700 |
| | 45 | £150,200 | £128,800 | £41,900 | £40,000 |
| Average member | 1 | £45,300 | £45,000 | £43,000 | £42,900 |
| | 3 | £56,200 | £55,400 | £48,800 | £48,400 |
| | 5 | £67,900 | £66,300 | £54,300 | £53,700 |
| | 10 | £100,200 | £96,000 | £66,900 | £65,700 |
| | 15 | £137,700 | £129,500 | £78,100 | £76,200 |
| | 20 | £181,100 | £167,200 | £88,000 | £85,300 |
| | 23 | £210,300 | £192,100 | £93,400 | £90,300 |
| Approaching retirement | 1 | £65,900 | £65,500 | £62,500 | £62,400 |
| | 2 | £71,900 | £71,100 | £65,000 | £64,700 |

**Notes**

1. Projected pension account values are shown in today's terms and are rounded to the nearest hundred pounds.
2. Contributions and costs/charges are aggregated for each year and applied halfway through the year.
3. Investment returns and costs/charges, as a percentage reduction per annum, are assumed to be deducted at the end of the year.
4. Charges and costs are deducted before applying investment returns.
5. Switching costs are not considered in the lifestyle strategy.
6. Inflation is assumed to be 2.5% each year.
7. Contributions are assumed to be paid from age 20 to 65 for the young member, 42 to 65 for the average member, and from 63 to 65 for the member approaching retirement.
8. Salaries are assumed to increase in line with assumed earnings inflation of 0% per year (in real terms).
9. Values shown are estimates and are not guaranteed.
10. The real projected annual growth rates (i.e. after allowing for inflation) for each fund are as follows:
    - Drawdown focused (default): from 0.15% to 2.00% (adjusted depending on term to retirement)
    - Britvic Equity: 3.00%
    - Britvic Diversified: 1.00%
    - Britvic Ethical: 2.99%
    - Britvic Cash: -2.40%
11. Transactions costs and other charges have been provided by Aegon and covered the period Q2 2018 to Q1 2021. Transaction costs have been averaged by WTW using a time-based approach. The transaction costs for Blended funds were estimated by WTW based on the transaction costs for the underlying funds.
12. Pension scheme's normal retirement age is 65.
13. Example members
    - Young: age 20, total initial contribution: £1,500, starting fund value: £2,500.
    - Average: age 42, total initial contribution: £4,000, starting fund value: £40,000.
    - Approaching retirement: age 63, total initial contribution: £4,000, starting fund value: £60,000.

## Appendix 2 - Extract from the Statement of Investment Principles

# Britvic Pension Plan

## Statement of Investment Principles – September 2020 (Extract)

### 3. Strategic Management of the Assets – Defined Contribution Section

3.1 In December 2016 the Pensions Regulator launched a revised Code of Practice 13 (CoP13) which incorporates the freedom and choice retirement flexibilities and statutory minimum quality standards for all workplace DC schemes. CoP13 sets out the standards of conduct and practice that the Regulator expects trustee boards of occupational pension schemes providing money purchase benefits to comply with in the pursuit of good member outcomes. This Statement takes account of CoP13 and specifically its recommendations relating to the content of Statements of Investment Principles generally.

3.2 Since the introduction of the retirement freedoms in April 2015, Defined Contribution (DC) members may take their benefits as a single or series of lump sums, purchase an annuity or transfer their account out of the Plan to facilitate income drawdown.

3.3 The Directors recognise that members have differing investment needs depending on how they plan to take their benefits at retirement and that these may change during the course of members' working lives.

3.4 The Directors also recognise that members have different attitudes towards risk and that members should make their own investment decisions based on their individual circumstances and retirement plans.

3.5 The Directors, in consultation with their DC investment consultant and the Company, have agreed to the following key investment objectives:

3.6 To provide a range of investment options aligned to the retirement choices available to members, that give members a reasonable expectation of:

- *aligning their investment solution with how they anticipate drawing their retirement benefits*
- *optimising the value of their assets at retirement, allowing for individual members' risk tolerances*
- *maintaining the purchasing power of their savings in real (i.e. post-inflation) terms*
- *where a member intends to*
    - *take a lump sum - providing protection for accumulated assets in the years approaching retirement against a sudden fall in capital value*
    - *purchase an annuity - providing protection against fluctuations in the cost of annuities*
    - *take income drawdown – provide a balance between capital protection and capital growth recognising members will typically remain invested beyond retirement.*

3.7 Member(s) determine the option(s) in which they choose to invest. Details of the range of investment options can be found in Appendix 2.

3.8 A default lifestyle strategy is offered that aims to be suitable for the majority of members, taking into account their proximity to retirement.

**Default Investment Option - the Drawdown Focused Lifestyle**

3.9 As the Plan is a qualifying scheme for auto-enrolment purposes the default should satisfy the DWP auto-enrolment regulations including the charge cap.

3.10 A proportion of members will actively choose the default option because they feel it is most appropriate for them. However, the vast majority of DC Plan members do not make an active investment decision and are invested in the default option.

3.11 In Q1 2018 the Directors completed their last review of the default investment option. This included an analysis of the Plan membership to assess the appropriate composition of the default. Based on an analysis of the membership including risk tolerance, members' projected accounts and wider industry experience, it was agreed that the default should target income drawdown as it was expected that the majority of members would keep their accounts invested beyond retirement and draw their benefits over a number of years.

3.12 The Directors are aware that many members do not make investment decisions until relatively close to their retirement. Accordingly the growth phase of the default option mirrors the Annuity and Lump sum focused lifestyle options and only diverges during the 10 years prior to Target Retirement Age (TRA). Members can therefore switch between these options in advance of retirement whilst incurring limited transaction costs.

3.13 The aims of the default option:

- The default lifestyle strategy manages investment and other risks through a diversified strategic asset allocation consisting of traditional and alternative assets. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. Any investment in derivative instruments contributes to risk reduction, or efficient portfolio management.

- The Directors have decided to invest in mainly passive investment assets and to invest in actively managed funds only where there is no suitable passive alternative.

- In designing the default lifestyle strategy, the Directors have explicitly considered the trade-off between risk and expected returns.

- Assets in the default lifestyle strategy are invested in a way that aims to be in the best interests of members and beneficiaries, taking into account the profile of members.

- Assets in the default lifestyle strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

**Policies in relation to the default option**

3.14 In addition to the Directors' investment objectives set out above, the Directors believe that:

- The lifestyle strategy's growth phase structure invests in equities and other growth-seeking assets, provides growth with moderate volatility and some protection against erosion in real value by inflation.

- As a member's account grows, investment risk will have a greater impact on member outcomes. Therefore, the Directors believe that a default strategy which seeks to reduce investment risk as the member approaches retirement is appropriate, whilst retaining return seeking assets.

- Members generally take some of their account as a Pension Commencement Lump Sum and so 25% of the Drawdown focused lifestyle is allocated to cash at retirement.

- Based on their understanding of the Plan's membership, the investment strategy targets a balanced risk/return profile in the "growth" phase.

- Having a default option that targets income drawdown does not mean that members have to take their benefits in this way at retirement – it merely determines the default investment strategy that will be in place pre-retirement. Members who intend to take their retirement benefits in other ways have the option of choosing their own investment strategy via the alternative investment options or self-selecting.

- Members should be encouraged to review their TRA regularly particularly in the light of forecast changes to the State Pension Age when members are able to draw their State Pension.

3.15 Taking into account the demographics of the Plan's membership and the Directors' view of how the membership will behave at retirement, the Directors believe that the current default strategy is appropriate. The Directors will continue to review this over time, at least triennially, or after significant changes to the Plan's demographic or other material factors, if sooner.

## 4. Responsible Investment and Corporate Governance

4.1 The Directors believe that good stewardship and environmental, social and corporate governance ("ESG") issues 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 Directors also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

4.2 The Directors take into account how the investment managers integrate ESG factors into their investment process and have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights (where applicable) and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

4.3 Within the DC Section the Directors offer an ethical fund, the Britvic Ethical fund which invests wholly in the LGIM Ethical Global Equity Index fund and a shariah compliant fund, the Britvic Shariah fund which invests wholly in the HSBC Islamic Global Equity Index as alternative self-select funds for members who wish to access these options.

4.4 Member Views

Member views are not currently taken into account in the selection, retention and realisation of investments.

4.5 Investment Restrictions

The Directors have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

## 5. Investment Manager Appointments

5.1 <u>Aligning Manager Appointments with Investment Strategy</u>

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class they are selected to manage.

The Directors look to their investment consultant, where appropriate, for their forward looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Plan invests in. The consultant's manager research ratings assist with due diligence (and questioning the managers of the Defined Benefit Section directly during presentations to the Directors) and are used in decisions around selection, retention and realisation of manager appointments.

When selecting and appointing investment managers, the Directors will take into account how ESG, climate change and stewardship are integrated within the managers' investment processes. This will be balanced against other manager selection criteria such as (but not limited to) idea generation, portfolio construction, implementation, business management and fees and charges.

If the investment objective of a particular fund changes, the Directors will review the fund appointment to ensure it remains appropriate and consistent with the Directors' wider investment objectives.

Where the Directors invest in pooled investment vehicles within the Defined Benefit 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.

As the Defined Contribution Section only invests in pooled investment funds, the Directors cannot directly influence or incentivise investment managers to align their management of the funds with the Director's own policies and objectives. However, the Directors will seek to ensure that the investment objectives and guidelines of any investment fund used are consistent with their own policies and objectives. The Directors will also seek to understand the investment manager's approach to sustainable investment (including engagement).

5.2 Monitoring manager appointments

The Directors receive investment manager performance reports (in respect of the Defined Benefit Section) and reports from Aegon (in respect of the Defined Contribution Section) on a quarterly basis, which present performance information over 3 month, 1 year and 3 year time periods. The Directors review 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 Directors' focus is on long term performance but, as noted above, may review a manager's appointment if:

- There are sustained periods of underperformance;
- There is a change in the portfolio manager or portfolio management team;
- There is a change in the underlying objectives of the investment manager;
- There is a significant change to the investment consultant's rating of the manager.

The majority of investment managers are remunerated by way of a fee calculated as a percentage of assets under management.

If managers are not meeting performance objectives, or investment objectives for mandates have changed, the Directors may ask managers to review the Annual Management Charge (in particular within the DB Section) or decide to switch managers.

The Directors undertake an annual review of the DC investment options, including Aegon as pension provider, and the default strategy to assess their performance and ensure they continue to meet the Directors' objectives.

5.3 Portfolio Turnover Costs

Within the Defined Contribution Section, the Directors review the costs incurred in managing the Plan's assets on a regular basis, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual investment manager level, the Trustees will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that type of fund.

Within the Defined Benefit Section, the Directors do not currently monitor portfolio turnover costs.

Within the Defined Benefit Section, the Directors receive MiFID II reporting from their investment manager but do not analyse the information. However, the Directors will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Directors may ask managers to report on portfolio turnover cost. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus

5.4 Manager Turnover

The Directors are long term investors and are not looking to change the investment arrangements on a frequent basis.

Within the Defined Benefit Section, for open-ended funds, there is no set duration for the manager appointments. The Directors will therefore retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointed has been reviewed and the Directors have decided to terminate the mandate.

For closed-ended funds within the Defined Benefit Section, the Plan is invested in a manager's fund for the lifetime of the 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 fund's governing documentation. In order to maintain a strategic allocation to an asset class, the Directors may choose to stay with a manager in a new vintage of the fund or appoint a different manager.

Within the Defined Contribution Section, all the funds are open-ended with no set end date for the arrangement.

The Fund Range and Default Strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

## 6. Compliance with this Statement

The Directors monitor compliance with this Statement regularly and obtain written confirmation from the investment managers that they have given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion the investment managers have done so in accordance with Section 4 of The Occupational Pension Schemes (Investment) Regulations 2005.

## 7. Review of this Statement

The Directors will review this Statement 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 Directors 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.

4 September 2020