

Britvic Pension Plan - DC Section

Annual Implementation Statement – for the year ending 31 March 2022

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 2021 to 31 March 2022.

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 through a “bundled” policy of insurance issued by Aegon. This policy provides for administration, investments and communications. AVCs are also held through similar policies issued by Prudential and Zurich.

The DC Section assets are invested in a range of pooled investment funds through the Aegon policy and 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 specific holdings as the DC Section’s investments are made via Aegon’s pooled investment funds.

2. Review of, and changes to the SIP

The SIP at the start of the scheme year was the SIP dated 4 September 2020.

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 signed on 24 March 2022, after having consulted with the sponsoring employer and having obtained and considered the written advice of WTW in relation to the DC Section. The changes the Trustee made included the following:

- The Directors recognised a number of additional risks in relation to the investment of the DC assets, including retirement age risk, manager risk, concentration risk and climate change risk.
- Following the 2021 investment review and agreement of the DC investment beliefs, the Directors agreed that environmental, social and governance (“ESG”) factors should be taken account of within the default.
- Based on the Directors’ understanding of the Plan’s membership, the investment strategy aims to provide a suitable balance between risk and return in the “growth” phase.

As the previous SIP was effective for the majority of the Plan year, this Statement principally considers the SIP dated 4 September 2020.

3. Adherence to the SIP

The Trustee considers that the DC Section of the SIP dated 4 September 2020 was followed over the Plan year to 24 March 2022 and the SIP dated 24 March 2022 was followed to 31 March 2022. This Statement provides details of how this has been achieved and covers those parts of the SIP which set out the Trustee’s policies.

| Policy area | Reference in the SIP dated 4 September 2020 | Adherence to the SIP |
|---|---|--|
| Strategic management of the assets | SIP 3.0 - 3.7 | <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. Following the review, the Trustee recognised the case for addressing the UK equity bias associated with the BlackRock Global Equity 30:70 Index Fund, a component fund within the Britvic Balanced Fund (used in all three lifestyle investment options, including the default) and the Britvic Equity Fund. The Trustees agreed to move these investments to a global market weighted approach through the LGIM MSCI ACWI Adaptive Capped ESG Index Fund.</p> <p>The Directors 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 3.9 – 3.15 | <p>As part of the review of the default option, the Trustee considered wider industry experience and member demographics. The Trustee also reviewed alternative portfolios for comparative purposes. It was agreed to retain a Drawdown Lifestyle as the default option in line with the SIP as this was considered suitable for the majority of members.</p> <p>The Drawdown Lifestyle continues to allocate 25% of members' accounts to cash at 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 change to the investment funds implemented in March 2022 remain consistent with this approach.</p> |
| Responsible investment and corporate governance | SIP 4.0 – 4.4 | <p>Following the Trustee's assessment of responsible investment and its impact on investment outcomes, it was agreed to take account of ESG factors within the default investment option and lifestyle options.</p> <p>Changes were made to the equity portfolio within the Britvic Balanced fund by using a specialist ESG fund, with the BlackRock Global Equity 30:70 Index fund being replaced with the LGIM MSCI ACWI Adaptive Capped ESG Index Fund.</p> |

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| | | <p>Aligned with this change, the underlying fund within the Britvic Equity fund was also switched from the BlackRock Global Equity 30:70 Index Fund to the LGIM MSCI ACWI Adaptive Capped ESG Index Fund.</p> <p>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. For example, LGIM met with the Trustee to explain its approach to the stewardship of assets and integrating sustainability at the September Trustee 2020 meeting. The presentation set out LGIM's approach and provided the Trustee with assurance that the proposed LGIM fund additions were consistent with the Directors' policies and objectives.</p> |
| Monitoring of DC investment options/managers | SIP 5.2 | <p>The Trustee meets quarterly to conduct its business, which includes monitoring the DC Section's investment strategy and performance, including the quarterly reports received from Aegon. The DC investment adviser is instructed to update the Trustee in between these meetings if a particular issue arose 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 reviewed at each Trustee meeting.</p> <p>The Trustee monitors the Prudential and Zurich With-Profits Funds used for Additional Voluntary Contributions on an annual basis. The Trustee receives a monitoring report which considers the financial strength of the funds, asset allocation, performance assessment and pay out analysis.</p> |
| Portfolio turnover costs | SIP 5.3 | <p>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.</p> |
| Manager turnover | SIP 5.4 | <p>The Trustee is a long term investor and is not looking to change the investment arrangements on a frequent basis, though changes may arise following a review of the fund range and default option. This was the case over the Plan year, with the BlackRock Global Equity 30:70 Index fund being replaced with the LGIM MSCI ACWI Adaptive Capped ESG Index Fund.</p> |

The Trustee reviews the suitability of the default option on a 3-year basis and, during the Plan year, the Trustee completed a review of the DC investment options including the default. This led to a number of changes in the underlying investment funds. These changes were implemented during the Plan year and have been reflected in the revised SIP dated 24 March 2022.

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 policy with Aegon, and the investment funds are predominantly passively managed, the Trustee has no direct interaction with the underlying investment managers.

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, as set out in the SIP. The Trustee's policy is to delegate the day-to-day stewardship and 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 advisers which aid in their decision-making when voting and details are summarised below.

BlackRock use of proxy adviser services

"We use Institutional Shareholder Services' (ISS) electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, we work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision."

LGIM proxy voting decision process:

"LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions."

HSBC proxy voting decision process:

"We use the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene our guidelines. We review voting policy recommendations according to the scale of our overall holdings. The bulk of holdings are voted in line with the recommendation based on our guidelines"

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 – “We use research provided by ISS and the Investment Association; and we use the ProxyExchange platform from ISS for managing our proxy voting activity”

BlackRock – “BlackRock’s proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas (“AMRS”), Asia-Pacific (“APAC”), and Europe, Middle East and Africa (“EMEA”) - located in seven offices around the world. The analysts within each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock’s Global Principles and custom market-specific voting guidelines.

While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company’s own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.”

Prudential Portfolio Managers America – “PPM engages an independent third-party service, Institutional Shareholder Services (ISS), to provide administrative assistance in connection with voting of proxies. The primary function of ISS with respect to PPM is to apprise PPM of shareholder meeting dates for all securities holdings, translate proxy materials received from issuers, and provide associated research and voting recommendations.”

Eastspring Investments – “To aid the process of making proxy voting decisions we use a proxy advisor. We review, from time to time, the policies and guidelines of the proxy advisor to understand the nature of their recommendations and test their compatibility with our requirements. However, specific policies and advice from the proxy advisor are not applied mechanically. We always apply our judgement and decide how to vote each resolution on its merits in the context of principles of our proxy policy.”

Granahan Investment Management – “GIM will evaluate and vote any proxy where the Provider does not give a recommendation or where the recommendation appears to be driven by a conflict of interest at the Provider. GIM reviews proxy votes on a quarterly basis to confirm all ballot shares are voted, and to confirm that overrides have proper supporting documentation.

Foreign proxy voting can be impacted by operational issues, such as restricted liquidity while shares are being voted. GIM generally refrains from voting where the process itself impacts the marketability of the security. GIM periodically assesses the Provider’s ability to continue to provide independent analysis, recommendations, and operational support to our proxy voting responsibilities through factors such as historical experience, perceived independence, and reputation.”

Value Partners – “We have engaged professional third-party proxy advisory firm-Institutional Shareholder Services Inc. (“ISS”) for the provision of voting recommendations and execution services. They assist us in voting on an informed basis with respect to issues presented

by proxies. In addition to professional advice, we will also incorporate findings from our investment research on our investee companies in determining our voting decisions.”

Summary of votes by managers

A summary of the votes made on behalf of the Trustees over the year to 31 March 2022 is provided in the table below:

| | BlackRock DC Aquila (30:70) Currency Hedged Global Equity Index | LGIM Diversified Fund | BlackRock Diversified Growth | LGIM Ethical Global Equity Index | HSBC Islamic Global Equity Index | LGIM Global Equity (50:50) Index | BlackRock Emerging Markets | Prudential With-profits |
|--|--|--------------------------------------|---|---|---|---|---|------------------------------------|
| No. of meetings at which the manager was eligible to vote: | 5,121 | 9,010 | 930 | 1,123 | 109 | 3,702 | 111 | 3,738 |
| No. of resolutions on which manager was eligible to vote: | 55,536 | 90,252 | 11,809 | 15,785 | 1,642 | 44,835 | 1,002 | 44,210 |
| Percentage of eligible votes cast: | 99.92% | 98.76% | 100% | 99.88% | 94.5% | 99.83% | 100% | 97.46% |
| Percentage of votes with management: | 91.68% | 78.74% | 93.69% | 83.15% | 88.5% | 82.38% | 93.51% | 91.98% |
| Percentage of votes against management: | 8.26 % | 20.47% | 6.31% | 16.54% | 11.5% | 16.92% | 6.49% | 6.98% |
| Percentage of votes abstained from: | 1.99% | 0.79% | 1.5% | 0.31% | 0.2% | 0.70% | 6.69% | 1.04% |
| In what percentage of meetings, for which you did vote, did you vote at least once against management | 35.87% | 69.84% | 34.73% | 74.09% | 60.6% | 68.12% | 38.74% | 41.66% |
| What percentage of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? | 0.77% | 12.47% | 0.08% | 11.43% | 7.2% | 11.97% | 0% | 4.80% |

Source: LGIM, Prudential, HSBC, BlackRock

Significant votes

The table below demonstrates significant votes, as determined by the fund managers, cast on behalf of the DC section of the Plan over the year to 31 March 2022.

| Fund | Significant votes |
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| <p>BlackRock DC Aquila (30:70) Currency Hedged Global Equity Index</p> <p>(Britvic Equity Fund until 17 March 2022)</p> <p>(Component of the Britvic Balanced Fund until 17 March 2022)</p> | <p>Company: Woodside Petroleum Ltd.</p> <p>Meeting date: 15 April 2021</p> <p>Manager Resolutions: 2a: Elect Christopher Haynes as Director 5a: Approve the Amendments to the Company's Constitution Proposed by Market Forces 5b: Approve Capital Protection</p> <p>Board Recommendation: The board recommended voting FOR Item 2a, and Against Items 5a and 5b</p> <p>How the manager voted: Against all</p> <p>Rationale: "2a: BIS voted against the longest serving director up for re-election given our concerns about the comprehensiveness of the company's current climate risk disclosure</p> <p>5a: BIS voted against - BlackRock is generally not supportive of constitutional amendment resolutions as the relative ease of filing risks potentially distracting and time-consuming resolutions being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base.</p> <p>5b: BIS voted against this shareholder resolution because it is overly prescriptive and unduly constraining on management's basic business decision-making"</p> |
| <p>LGIM Diversified</p> <p>(Britvic Diversified Fund)</p> <p>(Component of the Britvic Balanced Fund until 17 March 2022)</p> | <p>Company: NextEra Energy, Inc.</p> <p>Meeting date: 20 May 2021</p> <p>Shareholder resolution: Resolution 1h Elect Director James L. Robo</p> <p>How the manager voted: Against</p> <p>Rationale: "LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences"</p> |

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| | <p>Outcome: 88.1% of shareholders supported the resolution. Implications: “LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.”</p> |
| <p>LGIM Ethical Global Equity Index Fund (Britvic Ethical Fund)</p> | <p>Company: Apple Inc. Meeting date: 03 April 2021 Shareholder resolution: Resolution 9 - Report on Civil Rights Audit How the manager voted: LGIM supported resolution 9. Rationale: “Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.” Outcome: 53.6% of shareholders supported resolution 9 Implications: “LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.”</p> |
| <p>HSBC Islamic Global Equity Index (Britvic Shariah Fund)</p> | <p>Company: Alphabet Inc Meeting Date: 02/06/2022 Shareholder resolution: Report on requests from governments to take down and/or limit access to website contents How the manager voted: For (against management recommendation) Rationale: “We favour transparency around the company's response to requests from governments to limit access to content. These and related issues are significant risks which need to be managed transparently.” Outcome: For Implications: “This issue has arisen in shareholder engagement with the company. We will continue to encourage transparency around the company's response to pressure it faces to manage and limit access to content. We will contact the company to explain our rationale. We will request the opportunity to discuss this further and will explain that if the issue covered by this resolution is not resolved we will vote similarly at future AGM when this issue arises again.”</p> |
| <p>BlackRock Diversified Growth</p> | <p>Company: BP Plc Meeting date: 12 May 2021 Key Resolutions: Item 13: Approve Shareholder Resolution on Climate Change Targets Shareholder Resolution: The Board recommended voting AGAINST shareholder resolution (Item 13) How the manager voted: BlackRock voted For the shareholder resolution on climate change targets (Item 13) Rationale: “BIS voted for this shareholder resolution on climate change targets. While recognizing the company's efforts to date and direction of travel, supporting the resolution signals our desire to see the company accelerate its efforts on climate risk management.”</p> |

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| <p>LGIM Global Equity (50:50) Index</p> | <p>Company: Amazon.com, Inc. Meeting date: 26 May 2021 Shareholder resolution: Resolution 1a Elect Director Jeffrey P. Bezos How the manager voted: Against Rationale: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences. Outcome: 95.1% of shareholders supported the resolution.</p> |
| <p>BlackRock Emerging Markets</p> | <p>Company: Company Samsung Electronics Co., Ltd. Meeting date: 16 March 2022 Key Resolutions: Item 2: Election of Directors Shareholder Resolution: The board recommends shareholders to vote FOR item 2 How the manager voted: BlackRock voted For Item 2 Rationale: “BIS voted FOR the proposed director elections based on the company’s indication that it is in its final review stage of a revised climate strategy, and on our expectation that it will be announced in the months to come.”</p> |
| <p>Prudential With Profits fund</p> | <p>Company: Royal Dutch Shell Plc Meeting date: 18/05/2021 Shareholder resolution: Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions How the manager voted: Against (in line with management) Rationale: Do not think beneficial for the company. Company has targets in place and need to see if these are enough Outcome: Resolution Failed</p> |