

# **Britvic Pension Plan**

## **Statement of Investment Principles – September 2024**

### **1. Introduction**

- 1.1 The Directors of the Trustee of the Britvic Pension Plan (“the Plan”) have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Act”), as amended by the Pensions Act 2004 and subsequent legislation. The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments. Details of the investment management arrangements are set out in the following documents which are separate to this Statement:
  - Investment Policy Implementation Document (“IPID”) of the Plan - DB section.
  - Investment Policy Implementation Document (“IPID”) of the Plan - DC section.
- 1.2 In preparing this Statement, the Trustee Directors (“the Directors”) have consulted Britvic plc (“the Company”).
- 1.3 Decision-making in relation to the assets of the Plan is assigned as follows. The strategic management of the assets is fundamentally the responsibility of the Directors, who determine the strategic asset allocation of the Plan. Accordingly, they take expert advice on strategic issues from their investment consultant: Mercer in relation to the DB Section and Willis Towers Watson in relation to the DC Section. Executive decisions, such as the appointment of investment managers and performance monitoring, are made by the Investment Sub-Committee. The day-to-day management of the Plan’s assets is delegated to professional investment managers.
- 1.4 The investment strategy will be reviewed at least every three years and without delay after any significant change in investment policy.

### **2. Strategic Management of the Assets – Defined Benefit Section**

2.1 The DB Section of the Plan adopts a low risk investment strategy, and is largely invested in credit assets. The strategy is expected to reduce the funding level volatility and enable a smoother path to full funding. The investment strategy was last reviewed and amended in 2019.

#### **2.2 Process for choosing investments**

The process for choosing investments is as follows:

- Identify appropriate investment objectives;
- Agree the level of risk consistent with meeting the objectives set;

- Take into account the Directors' policies on the management of financially material considerations;
- Construct a portfolio of investments that is expected to maximise the return (net of all costs) given the targeted level of risk.

In considering the appropriate investments for the Plan, the Directors have obtained and considered the written advice of Mercer, whom the Directors believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Directors' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

### 2.3 Investment Objectives

The Directors' objective is to invest the Plan's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries. Within this framework, the Directors have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Plan is exposed. The Directors' primary objectives are as follows:

- 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.

### 2.4 Risk Management and Measurement

There are various risks to which any pension scheme is exposed, which the Directors believe may be financially material to the Plan. The Directors' policy on risk management is as follows:

- 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.
- As part of the 2014 strategy review, the Directors agreed to implement a liability-hedging mandate with Legal & General. The objective of the liability-hedging mandate is to match proportionately the sensitivity of the liabilities to interest rates and inflation in a way that the change in value of the mandate's assets will match the change in value of the liabilities caused by changes in interest rates and inflation expectations. Therefore, while the return on the liability-hedging funds may be volatile it is expected that the volatility in the Plan's funding level will be reduced.
- The Directors recognise that whilst increasing investment risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's accruing liabilities as well as producing more short-term volatility in the Plan's funding position. The Directors have taken advice on the matter and (in the light of the objectives noted previously) considered carefully the implications of adopting different levels of risk.

- As part of the Plan's triennial investment strategy reviews, the Directors analyse the level of investment risk in the Plan's investment strategy and consider the potential downside implications of targeting this level of risk.
- The Directors recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Directors aim to ensure the asset allocation policy in place results in an adequately diversified portfolio. Because of the size of the Plan's assets, and recognising the need to diversify, investment exposure may be obtained via pooled vehicles.
- The documents governing the manager appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan. The managers are prevented from investing in asset classes outside their mandate without the Directors' prior consent.
- Arrangements are in place to monitor the Plan's investments to help the Directors check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Directors meet regularly with the Plan's active managers and receive regular reports from all the investment managers and the investment consultant. These reports include an analysis of the overall level of return, along with the component parts, to ensure the returns achieved are consistent with those expected.
- The safe custody of the Plan's assets is delegated to professional custodians (either directly or via the use of pooled vehicles).

Should there be a material change in the Plan's circumstances, the Directors will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

## 2.5 Portfolio Construction

The Directors have adopted the following control framework in structuring the Plan's investments subject to the overriding constraint that at the total Plan level the expected level of risk is consistent with that detailed in Section 2.3.

- At the total Plan level, and within individual manager appointments, investments should be broadly diversified to ensure there is not a concentration of investment with any one issuer. This restriction does not apply to investment in UK Government debt.
- Investment in illiquid investments, such as property or private debt, may be held as long as they do not exceed 15% of the Plan's total assets.
- Investment in derivatives is permitted, either directly or within pooled funds, as long as they contribute to a reduction in risk or facilitate efficient portfolio management.

- Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular, liquidity and counterparty exposure) such investments will normally only be made with the purpose of reducing the Plan's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event, the Directors will ensure that the assets of the Plan are predominantly invested on regulated markets.
- No investment in securities issued by the Plan's Sponsoring Employer or affiliated companies (other than any such securities held within a pooled fund in which the Directors invest). We note, however, that the Plan has entered in to a Pension Funding Partnership ("PFP") with the Plan's sponsor, which results in annual payments to the Plan. These payments are backed by Company brand and property assets.
- Borrowing is not permitted except to cover short term liquidity requirements.

## 2.6 Investment Strategy

The Directors have agreed the following target asset allocation:

	%
<b>Liability Hedging</b>	40.0
<b>UK Buy and Maintain Credit</b>	30.0
<b>Emerging Markets Debt</b>	8.0
<b>Multi-Asset Credit</b>	12.0
<b>Private Debt</b>	5.0
<b>UK Residential Property</b>	5.0

A rebalancing policy has been established to achieve this benchmark allocation. A cashflow policy has also been established to effectively manage the Plan's liquidity in the face of ongoing cashflow deficits and ongoing drawdowns into the private debt and residential property mandates. Further details of the rebalancing policy and the cashflow policy can be found in the IPID.

## 2.7 Day-to-Day Management of the Assets

The Directors delegate the day-to-day management of the assets to a number of investment managers. The Directors have taken steps to satisfy themselves that the managers have the appropriate knowledge and experience for managing the Plan's investments and they are carrying out their work competently.

The Directors have determined, based on expert advice, a benchmark mix of asset types and ranges within which each appointed investment manager may operate.

The Directors regularly review the continuing suitability of the Plan's investments, including the appointed managers, which may be adjusted from time to time. However, any such adjustments would be done with the aim of

ensuring the overall level of risk is consistent with that being targeted as set out in Section 2.3.

Details of the appointed managers can be found in the IPID, which is available to members upon request.

## 2.8 Expected Return

The overall performance objective of the Plan is to outperform a notional benchmark (calculated by assuming index performance [or where appropriate, an agreed level of absolute return] from a mix of assets allocated in accordance with the investment strategy) over a rolling three-year period. In the case of active managers, a target has been agreed to exceed the benchmark by a specific amount.

It is recognised that over the short term, performance may deviate significantly from the long term target.

## 2.9 Additional Assets

Under the terms of the trust deed the Directors are responsible for the investment of additional voluntary contributions paid by members. The Directors review the investment performance of the chosen providers on a regular basis and take advice as to the providers' continued suitability.

## 2.10 Realisation of Investments

The investment managers have discretion in the timing of realisation of investments and in any considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

The Directors monitor the allocation between the appointed managers and between asset classes and rebalance the portfolio as per the rebalancing policy set out in the IPID.

# 3. Strategic Management of the Assets – Defined Contribution (DC) section

The Pensions Regulator's new General Code of Practice was introduced from March 2024 and incorporates the key elements of the previous DC Code of Practice 13 (CoP13). This sets out the standards of conduct and practice that the Regulator expects trustee boards of occupational pension schemes, including those providing money purchase benefits, to comply with in the pursuit of good member outcomes.

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

The Directors have delegated the administration and management of the DC assets to Aegon and members' assets are invested via a range of pooled funds.

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.

### 3.1 DC Investment objectives

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

To offer a default lifestyle strategy that aims to be suitable for the majority of members, taking into account their proximity to retirement.

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.

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 – the Investment Policy Implementation Document (“IPID”) – DC Section.

### 3.2 Triennial review of the default option

The Directors undertake a review of the default on a triennial basis, the last of which was completed in Q4 2021.

The Directors consider:

- An analysis of the Plan's active and deferred membership covering risk tolerance and members' projected accounts.

- Consideration of the Plan's and industry experience of member investment choice, retirement decision making and selected retirement age.
- Modelling of the default's growth phase and decumulation phases to assess the overall suitability of the default and composition of the underlying funds in terms of risk and expected returns.
- Benchmarking of charges against other DC pension schemes.

The current default investment option is the Drawdown Lifestyle which targets income drawdown as it is expected that the majority of members will keep their accounts invested beyond retirement and draw their benefits over a number of years.

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.

### 3.3 DC investment policies

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

In addition to the lifestyle options, members are free to make their own choice of funds (known as a "self-select" option) from a range selected by the Directors, so as to provide a range of investment opportunities that may be more specific to individual needs.

### 3.4 DC risk management

Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The Directors have put in place a choice of lifestyle investment options, in the belief that lifestyling offers appropriate balance between risk and reward for unengaged or default members. For younger members this provides investment in growth assets. For those nearer to retirement, protection against volatility in retirement outcomes in exchange for potentially lower asset growth.

The Directors recognise a number of additional risks in relation to the investment of the DC assets, including:

- Retirement age risk
  - the risk that a member's selected retirement age for derisking purposes is not aligned with their retirement plans.
  - is managed through the review of the default retirement age and regular communications to remind members to review their selected retirement age.

- **Manager risk:**
  - is measured by the expected deviation of the return relative to the benchmark set and by monitoring the actual deviation of returns.
  - is limited by using mainly passive investment funds and managed through ongoing monitoring of the actual deviation of returns relative to the benchmark and by regular manager review.
- **Concentration risk:**
  - is measured by the level of concentration of any one market, asset type or currency leading to the risk of an adverse influence on investment values.
  - is managed by regular reviews of the Plan's investments and through the level of diversification.
- **Inflation risk:**
  - is the risk that the real value of contributions will erode over time and help lead to an inadequate amount of benefit at retirement.
  - is managed by the provision of a range of funds with varying return expectations. Within the growth phase of the lifestyle strategies members are invested in a diverse range of equities with the expectation that this asset class will provide long term real returns.
- **Climate change risk**
  - is the risk that climate change could impact investment returns.
  - is managed by understanding how managers are integrating ESG factors in the investment process as well as including funds that take account of Environment, Social and Governance (ESG) factors within the investment process.

### 3.5 Policies in relation to the default option

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 with the aim to provide growth with moderate volatility and some protection against erosion in real value by inflation.
- Based on their understanding of the Plan's membership, the investment strategy aims to provide a suitable balance between risk and return in the "growth" phase.
- 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.
- 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.

### 3.6 Policy on illiquid investments in the default option

The Directors believe that allocating to illiquid assets is likely to improve diversification and offers the potential for higher risk adjusted returns. The Plan currently accesses illiquid assets indirectly, through the LGIM Diversified Fund, which makes up 50% of the Britvic Balanced Fund and 100% of the Britvic Diversified Fund. Any investments in illiquid assets in this pooled fund are at the discretion of the investment manager, with decisions taken in the context of the fund's overall risk and return objectives, and currently the investments include property and private market credit investments. The Directors do not currently have any plans to invest directly in illiquid assets.

All members invested in the default will have an allocation to this fund, with the allocation depending on their term to their Target Retirement Age (TRA). The allocation is 50% of a member's total fund up to 15 years before TRA, at which point the allocation increases such that at the point 10 years before TRA the allocation is 100%. From three years before TRA the allocation decreases, and reaches 75% at the member's TRA.

The Directors will continue to consider the use of illiquid investments in the context of improving the default option's overall risk and return characteristics to improve long-term outcomes for members.

## 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 responsibility for 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:

- Following the 2021 investment review and agreement of the DC investment beliefs, the Directors agreed that ESG factors should be taken account of within the default. This is done via the equity investments in the Britvic Equity and Britvic Balanced funds.
- The Directors also offer alternative self-select funds:
  - an ethical fund, the Britvic Ethical fund which invests wholly in the LGIM Ethical Global Equity Index fund
  - a shariah compliant fund, the Britvic Shariah fund which invests wholly in the HSBC Islamic Global Equity Index.

#### 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 Aligning Manager Appointments with Investment Strategy

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 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.

Signed: Alison Bostock.....

Date: 19 September 2024.....