Statement of Investment Principles

1 Introduction

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High Level Summary

- This document sets out at the principles that apply to the investment of the Scheme's resources, including investment objectives and strategies and custody of assets.
- The SIP also addresses how investment managers are appointed and monitored.

Purpose

This Statement of Investment Principles (the "SIP") sets out the guiding principles that the Trustees (the "Trustee Board") of the Coca Cola Bottlers (Ulster) Limited Staff Pension Scheme (the "Scheme") have determined should apply to the investment of the resources of the Scheme, as well as to ensure the safe-keeping of the assets. The SIP sets out the main investment objectives and strategies being pursued by the Trustee Board.

Goals

The goals of this SIP are to ensure:

i. A policy is developed so assets are invested in line with a clear strategy and set of investment objectives;

ii. The Scheme's resources are managed and invested to prudent standards and with appropriate oversight;

iii. That a clear risk management framework is in place;

iv. Environmental, Social and Governance ("ESG") related factors are incorporated within the investment governance framework in line with the Trustees preference and appetite for these factors.

The Scheme's goals are achieved through the articulation of explicit investment objectives and the creation of an investment strategy to achieve these objectives. That investment strategy presents not only a strategic asset allocation but also the approach to matching the behaviour of the Scheme's liabilities and the way in which the Scheme's underlying investments are managed day-to-day.

Legal Standing

This SIP is required under Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).

The Trustee Board will review the SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee Board will consult the Scheme's Investment consultant, the Sponsoring Employer as well as the Scheme Actuary .

The Trustee Board retains flexibility to vary its approach as it sees fit; for example, to accommodate a particular set of circumstances or a changing of views.

Scope

This SIPP applies to the investment powers of the Trustee Board and the investment management of the resources of the Scheme, and forms part of the Scheme's governance framework.

Background

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries. The Scheme is a defined benefit pension arrangement, with the facility for Additional Voluntary Contributions, set up under trust. The assets of the Scheme are vested in and held by the Trustee Board in line with the Trust Deed & Rules.

The Trustee Board recognises that the Scheme constitutes an enterprise which requires cooperation between the Sponsoring Employer and the Trustee Board for the purpose of making investment decisions, particularly where such decisions relate to the nature of the expected investment return and risk characteristics of the investment strategy adopted.

2 Investment objectives of the Scheme

The primary objective of the Scheme is to meet its benefit obligations to members as these fall due. The investment objectives of the Trustee Board can be summarised as follows:

- to acquire suitable assets that, together with any contribution received, can generate a sufficient return in the Scheme's fund in order to meet the Scheme's liabilities. In particular, the Scheme's current target return is derived from the pre and post retirement discount rates. Further information on the return target is set out in Appendix A;

- to maintain an acceptable level of risk of the assets failing to meet liabilities over the long term and to maintain an acceptable level of short-term volatility relative to the key measures of the funding level, most notably the Technical Provisions and any long term liability measures the Trustee Board and the Sponsor Employer may agree;

- to ensure that the Scheme meets its funding obligations under the Pensions Act;

- provide a suitable range of funds for members to select from, should they choose to invest additional voluntary contributions (see section 7).

The Trustees recognise the interconnection between investment objectves and the funding of the Scheme. A low-risk investment strategy based on matching the Scheme's liabilities with high quality bonds and cash investments may closely track the liabilities but also has a very low expected investment return. The Trustee Board must hold assets which can generate sufficient investment returns which, in combination with the anticipated funding from the Sponsoring Employer, can meet the Scheme's obligations with an acceptable level if risk. Given this interdependence, the Trustee Board consults with the Sponsoring Employer in agreeing the investment objectives.

3 Strategic Asset Allocation

The Trustee Board has adopted a strategic asset allocation for the Scheme. This is set out in Appendix B of this document.

The strategic asset allocation is driven by the financial characteristics of the liabilities on a Technical Provisions basis ("Technical Provisions", "liabilities") of the Scheme and the investment objectives, in particular:

- The extent to which the benefits are linked to inflation;
- The average term to payment of the benefits;
- The agreed return objective and the risk appetite of the Trustee Boards and Sponsoring Employer.

The investment strategy adopted has clear implications for the expected and potential range of funding costs and therefore the Trustee Board engages with the Sponsoring Employer regarding the Scheme's strategic asset allocation.

In determining the strategic asset allocation, the Trustee Board considers many factors documented in the Scheme's SIG, including:

- The risk and net expected returns of the assets relative to the liabilities for the current and alternative asset allocations;
- The level of diversification, liquidity, costs and complexity associated with alternative strategies;
- The ability to comply and to continue to comply with all regulatory requirements;
- The ESG characteristics of alternative strategies.

The Scheme's investment strategy utilises a number of key tools to manage investment risk:

- Diversity – investing in a range of assets and asset classes that behave differential from reach other with the goal of providing more reliable and consistent investment returns;
- Liability hedging – investment in assets that match the characteristics of the liabilities and therefore reduce the volatility of the funding position of the Scheme;
- Improved investment execution – employing investment managers that seek to outperforming the market overall or providing better performance in periods of negative market returns.

Rebalancing

The Trustee Board has agreed a process to consider rebalancing of the asset allocation towards the Scheme's strategic asset allocation. Further information on rebalancing is included in Appendix B.

Liability hedging

Liability hedging or matching assets are held to reduce interest rate and inflation risks within the

Scheme. The value Scheme's liabilities are sensitive to changes in interest rate and inflation. Owning assets which are also sensitive to these factors allows the Scheme to better match movements in the value of the liabilities and reduce the volatility of the Scheme's overall funding position.

Investment restrictions

Direct investment in Coca-Cola HBC Ireland Limited or associated companies is forbidden. Investment in such companies is permitted where the Scheme is invested in pooled vehicles and the decision to make such investment is made independently by the manager.

4 Risk measurement and management

The Trustee Board recognises the importance of risk measurement as a key part of the process of understanding and mitigating key risks to the achievement of the Scheme's objectives. The Trustee Board measures, monitors and seeks to manage the investment risks in the following key areas:

i. Funding level volatility/risk – The risk of underperformance of the Scheme's assets in aggregate versus the liabilities will be reviewed by the Trustee Board every three years. The main risk measure used by the Trustees is Value at Risk ("VaR")

Further information on these calculations is provided in Appendix A of this document.

ii. Liability risks – The level of interest rate and inflation hedging is reviewed by the Scheme on a quarterly basis.

iii. Investment manager risk – The risk of underperformance of the Scheme's managers relative to their benchmarks, or long-term return objectives, are measured by the expected deviation and as well as realised deviation relative to the target. In addition, the investment managers are reviewed through independent third-party assessments provided by the Investment Advisor. Manager risk is monitored on at least a quarterly basis.

5 Arrangements with Investment Managers

When investing in a pooled investment vehicle, the Trustee Board will ensure the investment objectives and guidelines of the vehicle are consistent with their own objectives. The appointment of an investment manager will be governed by the documentation and legal structure of the relevant pooled fund. The manager selection process is further outlined in the Scheme's SIG.

The Trustee Board is not involved in the investment managers' day-to-day method of operation and do not directly seek to influence attainment of their performance targets. The Trustee Board ensures that performance is assessed on a regular basis, including triennial critical reviews, against measurable objective for each fund.

Investment managers are compensated by paying a percentage fee based on the size of the assets invested, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.

The Trustee Board reviews the fees they pay managers, with the support of their Investment Advisor, against those paid by other pension funds for similar mandates and / or the fees that would be charged by other investment managers. Where active mandates are employed, the fees agreed with the managers will reflect the expected level of active return relative to benchmark and an appropriate share of the expected outperformance of the manager.

The Trustee Board reviews the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee Board will have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

6 Sustainable Investment

The Trustee Board recognises the financial importance of considering environmental, social and governance ("ESG") related factors in determining investment policy for the Scheme. Such considerations will be incorporated within the investment governance framework to the extent that any actions arising therefrom are consistent with the primary objective of the Scheme, namely ensuring that it can meet its long-term obligations to members.

The Trustee Board recognises the risk that companies or governments in which the Scheme invests may fail to appropriately manage environmental, social and governance risks. Such failure may lead to a permanent loss of value in the Scheme's underlying investments.

The Trustee Board may ultimately delegate, in whole or in part, any activities associated with the integration of ESG principles into the portfolio construction process and /or the setting of the strategic asset allocation.

The Trustee Board has undertaken, with the support of their Investment Advisor, the following actions in relation to ESG:

- ESG training;
- Developed an ESG policy
- Monitor the activities of its investment managers on a regular basis;
- Monitor the investment managers' approach to stewardship, namely exercising of shareholder voting rights and engagement.

The Trustee Board is committed to ensuring that the Scheme is an active, long-term asset owner and are also conscious of, but will not be bound by, the wishes of other stakeholders, such as the Sponsoring Employer, in this regard.

In Setting and implementing the Scheme's investment strategy the Trustee Board does not explicity take into account the views of Scheme members in relaction to ethical considerations, social and environmental impact or present and future quality of life matters (defind as "non-financial factors").

The Trustee Board has not developed an engagement policy for the Scheme as it invests in pooled fund investments and therefore has no direct voting rights. However, the Trustee Board has sought confirmation from the Scheme's investment managers that they comply with the Second Shareholder Rights Directive.

7 Additional Voluntary Contributions ("AVCs")

The Scheme provides the members with a facility to pay AVCs to enhance their benefits at retirement. The Trustee Board objective is to provide access to funds which will reasonably meet the varied needs of the members with respect to risk and return. This will include funds that can be expected to provide a suitable return over the longer term for members, consistent with members' reasonable expectations as well as funds that would offer increased capital protection.

It is the Trustee Board policy in relation to AVC options to:

- **i.** Ensure that an appropriate range of fund choices are available to members;
- **ii.** Review the operation of AVC investments to ensure compliance with relevant jurisdictional legislation / regulation and best practice;
- **iii.** Monitor the return and volatily of the fund options provided;
- **iv.** Monitor the investment managers appointed;
- **v.** Change the AVC fund choices as and when the Trustee Board considers this appropriate.

8 Policy Review

It is the intention of the Trustee Board to review this document at least every three years or sooner following any change in investment policy which is inconsistent with this SIPP.

Signed on behalf of the Trustee Board **Date**

2/12/2022

Version History		
Version Number	**Date Adopted**	**Brief Description of Change**
1.0	29 Sep 2022	New SIPP approved

Appendix A – Return & risk objectives

Return Objectives

A dual discount rate approach has been used for this valuation. Separate discount rates have been used in respect of pre and post-retirement liabilities which reflect the expected investment return on the assets held to back the active and deferred member liabilities prior to retirement (pre-retirement) and the assets used to back the current and future pensioners (post-retirement). This approach automatically reflects the expectation that the Scheme will de-risk as pensioners retire and a less risky investment strategy adopted when a greater proportion of the Scheme's liabilities are in respect of pensioners.

Risk measurement

The Scheme measures investment risk using a downside risk measure called Value at Risk 95% or $VaR_{95.}$ This measure estimates the minimum fall in the Scheme's funding position over one year in a 1-in-20 downside scenario. This analysis is based on the strategic asset allocation at the time and using the Technical Provisions measure of the liabilities.

The VaR_{95} measure is calculated based on assumptions of the volatility of individual asset classes and the liabilities, as well as the correlation between all these variables. These assumptions are informed by historical experience and, to a lesser extent, current market conditions. The Scheme's Investment Advisor shares information on the assumptions informing these calculations.

Appendix B – Strategic Asset Allocation

Strategic Asset Allocation

The Strategic Asset Allocation of the Scheme's assets are set-out below. Each underlying portfolio is set a specific set of performance objectives, which are in aggregate are consistent with the overall objectives of the Scheme.

Asset class	Investment manager	Strategic asset allocation	Rebalancing range	Benchmark or Target	Performance objective
Growth Assets					
Equities		**20.0%**	+/- 5%		
World Equities (Unhedged)	LGIM	10.0%		Benchmark	FTSE World NetTax (UKPN)
World Equities (Hedged)	LGIM	10.0%		Benchmark	FTSE World NetTax (UKPN) Hedged
Diversified Growth Fund		**20.0%**	+/- 5%		
Global Real Return Fund	BNY Mellon	10.0%		Target	To outperform the benchmark (1 month GBP LIBOR) by 4% p.a. (net of fees)
Dynamic Diverisifed Fund	BlackRock	10.0%		Target	To outperform the benchmark (3 month GBP LIBOR) by 3% p.a. (gross of fees)
Liability Matching					
Gilts		**60.0%**	+/- 5%		
Over 15 Year Gilts Index Fund	LGIM	24.0%		Benchmark	FTSE A UK Gilts >15 Years
Over 15 Year Indx-Linked Gilts Index Fund	LGIM	36.0%		Benchmark	FTSE A Indexed-Linked >15 Years

The actual allocations will deviate from the strategic asset allocation due to market movements.

Rebalancing

Cashflow into, and out of, the Scheme will be applied to maintain the Scheme's asset distribution close to the strategic asset allocation. The Trustee Board reviews the portfolio allocation against the strategic asset allocation each quarter. Should the asset portfolio materially deviate from the strategic asset allocation, the Trustee Board will consider the need to rebalance with their advisors, and action this if deemed necessary.

The Trustees have a benchmark in place with the LGIM to monitor the agreed equity and bond allocations in line with the strategic asset allocations. This is monitored on a quarterly basis by LGIM and tolerance ranges around the target allocations have been agreed.