Statement of Investment Principles

For the Coca-Cola Enterprises Pension Scheme

Effective from: September 2024

1. Introduction

This Statement of Investment Principles ("SIP") has been produced by Coca-Cola Europacific Partners Pension Scheme Trustees Limited ("the Trustee"), as Trustee of the Coca-Cola Enterprises Pension Scheme ("the Scheme").

It sets out our policies on various matters governing investment decisions for the the Scheme, which is a Defined Benefit scheme.

This SIP replaces the previous SIP dated March 2024.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator's guidance on investments.

We have produced a separate SIP addendum document, which details further background and other matters relevant to the Scheme's investments, but which are not required to be included in the SIP.

2. Investment objectives

The primary objective for the Scheme is to ensure that the benefit payments are met as they fall due. In addition to this primary objective, we have the following objectives:

- that the Scheme should be fully funded on a technical provisions basis, with a secondary objective of being fully funded on a "gilts +0.1% pa" basis; and
- that the return on the Scheme's assets is maximised whilst managing and maintaining investment risk at an appropriate level.

3. Investment strategy

With input from our advisers and in consultation with the employer, we reviewed the investment strategy in 2023, considering the objectives described in Section 2.

In September 2023, the Trustee entered into a buy-in policy to insure a proportion of the Scheme's pensioners. The buy-in policy provides cashflows that match those of the insured members.

The Scheme's investment strategy (excluding the buy-in policy) is shown in the following table:

Asset class	Strategic allocation	Range
Long-lease property	22%	+/- 10%
Matching assets ▪ Gilts ▪ Short dated corporate bonds (plus equity exposure using derivatives)	78%	+/- 10%
Target interest rate and inflation hedging (gilts +0.1% pa basis)	85%	

We monitor the Scheme's asset allocation from time to time. If the allocation moves outside of the ranges specified above, we will consider, with our advisers, whether it is appropriate to rebalance the assets to bring them closer in line with the strategic asset allocation, taking into account factors such as market conditions and anticipated future cash flows.

We are aiming to increase the level of interest rate and inflation hedging in 5% increments, subject to the Scheme maintaining a high level of liquidity, until the Scheme is fully hedged.

The table below illustrates our agreed hedging mechanism:

	Interest rate and inflation hedging (gilts + 0.1% pa basis)	Trigger point for action
Initial position	~85%	Following the 5% hedging increase, we would still expect there to be sufficient collateral within the matching portfolio to bear long term gilt yields rising to around 9% pa* before the investment manager would call for external capital.
Trigger 1	90%	
Trigger 2	95%	
Trigger 3	100%	

* From time to time we review the appropriateness of this threshold, based on market conditions.

In addition, the employer made a special contribution to the Scheme in March 2019 of around £124.3m, which was used to acquire an interest in a Scottish Limited Partnership (the "SLP") which holds four properties. The Scheme is entitled to a share of the income from the SLP derived from these properties, over the period from 5 July 2019 to 5 January 2034, subject to certain conditions.

The value of the interest in the SLP represented around 9% of total Scheme assets at inception in March 2019 and will reduce to nil by 5 January 2034, as the SLP distributes income.

Our policy is to target the maximum level of expected return subject to ensuring the level of investment risk is appropriate to reflect the Scheme's circumstances. We believe that the strategy above meets this objective.

In general, our policy is to use cash flows to rebalance the Scheme's assets towards the strategic asset allocation.

4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme's assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.

The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring and oversight of the investments. Investment risk is measured using "Value at Risk". Further details of specific risks (for example equity risk, credit risk and currency risk) and how we measure and manage those risks is set out in Part 2 of the SIP addendum.

In setting the strategy it is our policy to consider:

- our investment objectives, including the target return required to meet these;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant; and
- the need for appropriate diversification between different asset classes to manage investment risk; and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate.

We also consider any other factors which we believe to be financially material over the applicable time horizons to the funding of the Scheme benefits, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- risk-taking is necessary to achieve returns, but not all risks are rewarded;
- investment risks should generally be measured relative to the liabilities;
- the Trustee should consider reducing investment risk if the funding level improves more than expected;
- asset allocation, rather than stock selection, is the primary source of added value;
- it may be possible to obtain higher returns by investing in less liquid asset classes, as long as the cost and complexity is not excessive;
- the investment strategy should reflect the security provided by the employer;
- investment managers who can consistently spot and profitably

exploit market opportunities are difficult to find in some markets and therefore a blend of active and passive management, where available, may offer better value;

- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and
- climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term.

5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

We have signed agreements with the investment managers, setting out the terms on which the portfolios are to be managed. We have also signed policy documentation with the buy-in provider, which provides pension payments in respect of the Scheme's liabilities relating to a portion of pensioner members.

Details of the investment managers and the buy-in provider are set out in the separate SIP addendum.

Along with the investment managers to whom discretion has been delegated, we exercise our powers to give effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

We have limited influence over managers' investment practices where the Scheme's assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing. Where we invest in a fund of funds approach we encourage our managers to engage with the underlying fund managers to improve their practices also.

We have shared the SIP with our investment managers and buy-in provider to inform them of our beliefs, expectations and policies. We ask the managers and buy-in provider to comment on their alignment with our expectations from time to time.

Our view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all underlying pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers' investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each managers' remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

6. Realisation of investments

We instruct disinvestments as required for benefit payments and other outgoings. Our preference is for investments that are readily realisable, but we recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg long lease property or a buy-in policy).

In general, our policy is to use cash flows to rebalance the assets towards the strategic asset allocation, and also to receive income from some of the portfolios where appropriate (eg the long lease property portfolio).

7. Financially material considerations and non-financial matters

We consider how environmental, social, governance ("ESG") considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

We influence the Scheme's approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect our investment managers and buy-in provider to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers and providers that have the skills and processes to do this, and periodically review how the managers and providers are taking account of these issues in practice.

We have limited influence over managers' investment practices where assets are held in pooled funds, but we encourage our managers to improve their ESG practices within the parameters of their funds. A similar approach is taken in relation to the buy-in provider, where although we have limited influence over the provider's investment practices, we can encourage the provider to improve their practices if required.

Within each asset class, we have considered investment options that give increased weight to ESG factors. All of the Scheme's equity exposure is achieved by using derivatives, rather than holding physical equities. We have chosen to use an ESG screened index (the MSCI World ESG Leaders Index) as a reference index for 80% of the Scheme's equity exposure. This index uses a methodology that is designed to help investors gain exposure to a portfolio of stocks with strong ESG characteristics, including a reduced exposure to climate-related risks.

In addition, the short dated corporate bond portfolio restricts lending to companies with significant exposure to the weapons, tobacco, fossil fuel and electricity generation industries. At this time, we do not believe there are any ESG-focused investment options available that meet our needs in other asset classes, but we will keep this under review.

We do not consider any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

We have delegated to the investment managers and the buy-in provider the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

As all of our investments (apart from the SLP and the buy-in policy) are managed by an investment manager, we do not monitor or engage directly with issuers or other holders of debt or equity. We monitor the activities of our managers and buy-in provider in relation to ESG factors, voting and engagement on a regular basis. We seek to understand how they are implementing their stewardship policies in practice to check that their stewardship is effective and in line with our expectations.

We expect the investment managers and buy-in provider to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries.

We seek to appoint managers and providers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.

We have selected some stewardship priorities to provide a focus for our monitoring of the voting and engagement activities of our investment managers and provider. We review the priorities regularly and update them if appropriate. We communicate these stewardship priorities to our managers and provider, and also confirm our more general expectations in relation to ESG factors, voting and engagement.

If our monitoring identifies areas of concern, we will engage with the relevant manager or provider to encourage improvements.

The Scheme's SLP holds four properties, which are used by the employer. The value of the SLP is therefore exposed to a range of matters relating to the employer, including ESG factors. As part of the Trustee's ongoing monitoring of the employer covenant, the Trustee considers the employer's exposure to ESG risks. The Trustee engages with the employer where appropriate.