

Coca-Cola Hellenic (Northern Ireland) Pension Plan

Chair's Statement for the Plan year ended 30 June 2020

This statement has been prepared by the Trustees of the Coca-Cola Hellenic (Northern Ireland) Pension Plan ("the Plan") in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996. It describes how, for Plan year ended 30 June 2020, the Trustees have met the statutory governance standards in relation to:

- the default investment arrangements
- requirements for processing core financial transactions
- assessment of charges and transaction costs
- the requirement for trustee knowledge and understanding

The Trustees have decided that the "charges year" for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 shall be the same as the Plan year.

Default investment arrangement

This Statement is written in reference to the Plan's latest Statement of Investment Principles which governs its decisions about investments including its aims, objectives and policies for the Plan's default investment arrangements, prepared in accordance with regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005. The Statement of Investment Principles was reviewed and revised in October 2019 and a copy is appended to this Statement. In particular, it covers:

- The Trustees' investment policies on risk, return and ethical investing, and
- How the default investment arrangement is intended to ensure that assets are invested in the best interests of members and beneficiaries

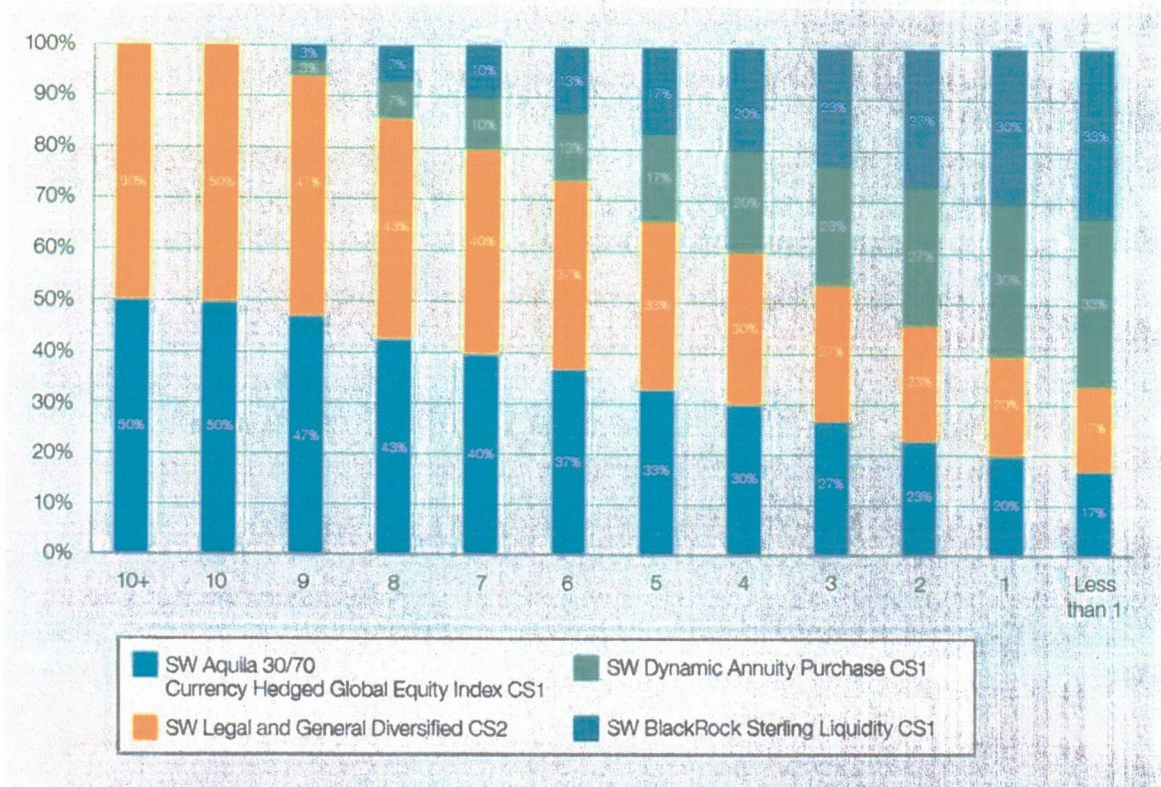
The Trustees invest the Plan's assets in a range of pooled funds with the insurer Scottish Widows. The range of investment options is designed to allow the following objectives to be met:

- To maximise the value of the members' assets at retirement.
- To provide protection for members, especially in the years approaching retirement against volatility in the value of the members' accumulated assets and fluctuations in the cost of purchasing retirement annuities.
- To allow members to tailor their investment choices to meet their own needs.

The Trustees last reviewed the default investment option in 2017 and decided to implement some changes to the consolidation phase to better reflect how members are likely to use their retirement savings. The growth phase remained unchanged.

During the growth phase, member assets are initially invested 50% in the Scottish Widows Legal & General Diversified Fund and 50% in the Scottish Widows Aquila 30/70 Currency Hedged Global Equity Index.

The consolidation phase begins switching into the Scottish Widows Dynamic Annuity Purchase Fund and the Scottish Widows BlackRock Sterling Liquidity Fund from approximately ten years before the selected retirement date (SRD). Switching will take place on a monthly basis. At the selected retirement date, members will be invested as follows: Scottish Widows Legal & General Diversified Fund: 17%, Scottish Widows Aquila 30/70 Currency Hedged Global Equity Index: 17%, Scottish Widows Dynamic Annuity Purchase Fund: 33%, Scottish Widows BlackRock Sterling Liquidity: 33%.



This aims to adopt a “balanced” approach at retirement to hedge against a member’s investments being invested in a way that is not consistent with how they take their retirement savings.

The Trustees will periodically, and on no less than a three-yearly cycle, review the appropriateness of the default arrangement. They will undertake an earlier review if there are any significant changes in legislation, investment policy or member demographic.

Processing of core financial transactions

The processing of financial transactions is administered by Scottish Widows as part of their duties as a ‘bundled’ services provider.

The Trustees regularly monitor the core financial transactions of the Plan. These include the investment of contributions, transfers of assets into and out of the Plan, fund switches and payments out of the Plan to and in respect of members.

This is achieved through the review of quarterly reporting from Scottish Widows, in which performance against agreed Service Level Agreements (SLAs). During the reporting for the Plan year no significant deviations from SLAs have occurred.

The Trustees, having considered the reports received from Scottish Widows, have concluded that the Plan’s core financial transactions have been processed promptly and accurately during the Plan year.

Assessment of charges and transaction costs

The table below shows the charges and transaction costs incurred by members for the current Plan year (Overall annual charge).

| Fund name | Total Fund Charge (annual) | Transaction Costs (annual) | Overall charge (annual) |
|---|----------------------------|----------------------------|-------------------------|
| Funds which form part of the default lifestyle | | | |
| Scottish Widows Aquila 30/70 Currency Hedge Global Equity Index | 0.42% | 0.00% | 0.42% |
| Scottish Widows Legal & General Diversified | 0.51% | 0.00% | 0.51% |
| Scottish Widows Dynamic Annuity Purchase | 0.50% | 0.01% | 0.51% |
| Scottish Widows Blackrock Sterling Liquidity | 0.35% | 0.01% | 0.36% |
| Additional self-select funds | | | |
| Scottish Widows Aquila UK Equity Index Fund | 0.35% | 0.00% | 0.35% |

Source: Scottish Widows

During this period the overall annual charges applied to the funds which made up the Plan's default investment strategy were a maximum of 0.465% p.a. (if members were invested entirely in the default).

The overall annual charges applicable to the non-default arrangements ranged from 0.35% to 0.59% p.a.

The overall annual charge is applied by Scottish Widows for administering and investing members' savings and is a combination of management costs and additional expenses. Transaction costs may apply (the costs incurred as a result of buying, selling, lending or borrowing investments, which are not known in advance).

The Total Fund Charge + Transactions Cost = the Overall Charge for the year.

Effect of charges and transaction cost on members investments

The tables overleaf show the effect that costs and charges can have on the size of your pension savings. The first table shows the effect of an example member in the default strategy. The second table shows the effect of different funds the Plan offers for a 25 year old member. Please read in conjunction with the notes that follow.

Table 1: Default fund

This table shows the effect of costs and charges on members of various ages invested in the default strategy.

| Years as a member | Age Now 20 | | Age Now 45 | | Age Now 60 | |
|-------------------|----------------|------------------------------------|----------------|------------------------------------|----------------|------------------------------------|
| | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 1 | 20,200 | 20,100 | 20,200 | 20,100 | 20,000 | 19,900 |
| 3 | 30,900 | 30,600 | 30,900 | 30,600 | 30,100 | 29,800 |
| 5 | 41,800 | 41,200 | 41,800 | 41,200 | 39,800 | 39,200 |
| 10 | 70,400 | 68,400 | 70,400 | 68,400 | - | - |
| 15 | 100,000 | 96,600 | 98,700 | 94,700 | - | - |
| 20 | 133,000 | 125,000 | 123,000 | 116,000 | - | - |
| 25 | 167,000 | 156,000 | - | - | - | - |
| 30 | 203,000 | 188,000 | - | - | - | - |
| 35 | 242,000 | 220,000 | - | - | - | - |

Table 2: 25 year old member, comparison of different funds

This table shows the effect of costs and charges for a 25 year old member for a range of the investment funds offered by the Plan.

| Years as a member | Scottish Widows Aquila UK Equity Index CS1 | | Scottish Widows Aquila 30/70 Currency Hedging Global Equity Index CS1 | | Scottish Widows BlackRock Sterling LiquidityCS1 | | Scottish Widows Dynamic Annuity Purchase CS1 | | Scottish Widows Legal & General Diversified CS2 | |
|-------------------|--|------------------------------------|---|------------------------------------|---|------------------------------------|--|------------------------------------|---|------------------------------------|
| | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted | Before charges | After all charges + costs deducted |
| 1 | 20,300 | 20,300 | 20,300 | 20,200 | 19,700 | 19,700 | 19,700 | 19,600 | 20,100 | 20,000 |
| 3 | 31,400 | 31,100 | 31,400 | 31,100 | 29,100 | 28,900 | 29,100 | 28,800 | 30,400 | 30,000 |
| 5 | 42,900 | 42,400 | 42,900 | 42,200 | 38,200 | 37,700 | 38,200 | 37,500 | 40,800 | 40,100 |
| 10 | 73,700 | 72,100 | 73,600 | 71,700 | 59,800 | 58,500 | 59,700 | 58,000 | 67,300 | 65,200 |
| 15 | 107,000 | 104,000 | 107,000 | 103,000 | 79,900 | 77,500 | 79,800 | 76,500 | 94,500 | 90,300 |
| 20 | 145,000 | 139,000 | 144,000 | 137,000 | 98,500 | 94,800 | 98,400 | 93,300 | 122,000 | 115,000 |
| 25 | 186,000 | 176,000 | 185,000 | 174,000 | 115,000 | 110,000 | 115,000 | 108,000 | 150,000 | 140,000 |
| 30 | 231,000 | 217,000 | 231,000 | 214,000 | 132,000 | 125,000 | 131,000 | 122,000 | 180,000 | 165,000 |
| 35 | 281,000 | 261,000 | 281,000 | 257,000 | 147,000 | 138,000 | 146,000 | 134,000 | 210,000 | 190,000 |

Notes:

1. Source: Scottish Widows
2. All figures are rounded to the nearest £100.
3. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
4. Retirement is assumed to be at age 65
5. The starting pot size is assumed to be £15,000.
6. Inflation is assumed to be 2.5% each year.
7. Gross contributions of £425 per month are assumed from the start of the projection to retirement and are assumed to increase in line with inflation at 2.5% per year.
8. Values shown are estimates and are not guaranteed.
9. For the default lifestyle strategy (table 1) the projected growth rate varies over time as the funds invested in change. The table below shows the average projected growth rates for the lifestyle strategy for a sample of terms to retirement:

| Years to Retirement | Projected Growth Rate (Average) | |
|---------------------|---------------------------------|-----------------|
| 1 | 0.60% | Below inflation |
| 3 | 0.40% | Below Inflation |
| 5 | 0.20% | Below Inflation |
| 10 | 0.10% | Above Inflation |
| 15 | 0.30% | Above Inflation |
| 20 | 0.50% | Above Inflation |
| 25 | 0.60% | Above Inflation |
| 30 | 0.70% | Above Inflation |
| 35 | 0.80% | Above Inflation |

10. The projected growth rates for each fund in table 2 are:
 - Scottish Widows Aquila UK Equity Index CS1: 1.9% above inflation
 - Scottish Widows Aquila 30/70 Currency Hedged Global Equity Index CS1: 1.9% above inflation
 - Scottish Widows BlackRock Sterling Liquidity CS1: 1.5% below inflation
 - Scottish Widows Dynamic Annuity Purchase CS1: 1.5% below inflation
 - Scottish Widows Legal & General Diversified CS2: 0.4% above inflation
11. The charges assumed for each fund are those shown in "assessment of charges and transaction costs" section.

Value for Members

The Trustees carried out an assessment of the value delivered to Plan members during December 2020 with input from Willis Towers Watson.

The table below sets out the high-level results of the value for members assessment. The Trustees reviewed the services and features provided in five different assessment areas.

| Assessment Area | Rating |
|--------------------------------|--------------|
| Plan governance and management | Good |
| Administration | Good |
| Investment | Excellent |
| Communications | Excellent |
| Charges | Satisfactory |

Members receive **good** or **excellent** value in all assessment areas both in relation to the services for which they pay and when considering 'broader value', i.e. the services for which members do not bear the cost. Furthermore, the charges are broadly competitive based on a number of different metrics, such as benchmarking and comparison against the charge cap.

Trustee Knowledge and Understanding (TKU)

The Trustees have an established TKU process in place, and a good working knowledge of the Plan Documentation, which, together with the advice available to them from the Plan's advisors, lawyers and auditors, enables the Board to properly exercise its function as Trustees of the Plan. The Trustees are able to use their knowledge to challenge the advice of advisers where required.

During the Plan year, the Trustees' approach to meeting the TKU requirements included:

- All Trustees have a working knowledge of the Trust Deed and Rules, current SIP, and current Plan policies from the induction process, general day to day management of the Plan and regular meetings. Three formal meetings alongside numerous ad-hoc meetings have been held throughout the year.
- Receiving training sessions from its advisers during meetings and separate training days to ensure the Trustees maintained an appropriate level of knowledge and understanding of current and general issues. The Trustees took part in legal training during 2020 which was designed to cover a broad range of legal topics impacting pension schemes in the UK and throughout the year specific training has been carried out for Environmental, Social and Governance (ESG) criteria. A DC Solutions meeting was also arranged to address the needs of maintaining sound knowledge and understanding of wider pension issues and training on the different types of pension vehicle that are available to companies in the UK to deliver effective pension outcomes for their employees.
- Recording all training and attendance at appropriate seminars in the Trustees' training log.
- Assessing the training requirements each year as part of the business plan. Any changes in pensions legislation is flagged at quarterly meetings and training will take place if required (e.g. due diligence carried out on the impact of Covid-19 and review of the "at retirement" process and options, and discussion on ESG criteria).
- Considering the Trustees' training requirements, to ensure compliance with the Pensions Regulator's Code of Practice regarding TKU.

- Individual Trustees are expected to complete the relevant modules on the Pensions Regulator's Toolkit within the first year of their appointment. The Trustees have demonstrated that they have:

- A working knowledge of the trust deed and rules, the Statement of Investment Principles, and any documents setting out the Trustees' current policies; and,
- Sufficient knowledge and understanding of the law relating to pensions and trusts, the principles relating to the funding and investment of occupational DC schemes.

This is demonstrated through the way they have considered and managed all Trustee business that has arisen during the Plan year, referring to such documentation, law or principles and being generally aware of their powers, duties and responsibilities, taking advice where appropriate and questioning, probing and challenging that advice.

Signed



CHAIR OF TRUSTEES

[Date] 29 JANUARY 2021

Signed by the Chair on behalf of the Trustees of the Coca-Cola Hellenic (Northern Ireland) Pension Plan