

Coca-Cola Hellenic (Northern Ireland) Pension Plan

Chair's Statement for the Plan year ended 30 June 2022

This statement has been prepared by the Trustees of the Coca-Cola Hellenic (Northern Ireland) Pension Plan ("the Plan") to demonstrate how the Plan has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015. It describes how, for Plan year ended 30 June 2022, 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 including 'pounds and pence' illustrations demonstrating the potential impact of costs and charges on a member's DC savings over the course of their Plan membership;
- performance of the Plan's investments;
- assessment of Value for Members; and
- 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.

The Plan is a qualifying scheme for the purpose of Auto-enrolment.

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

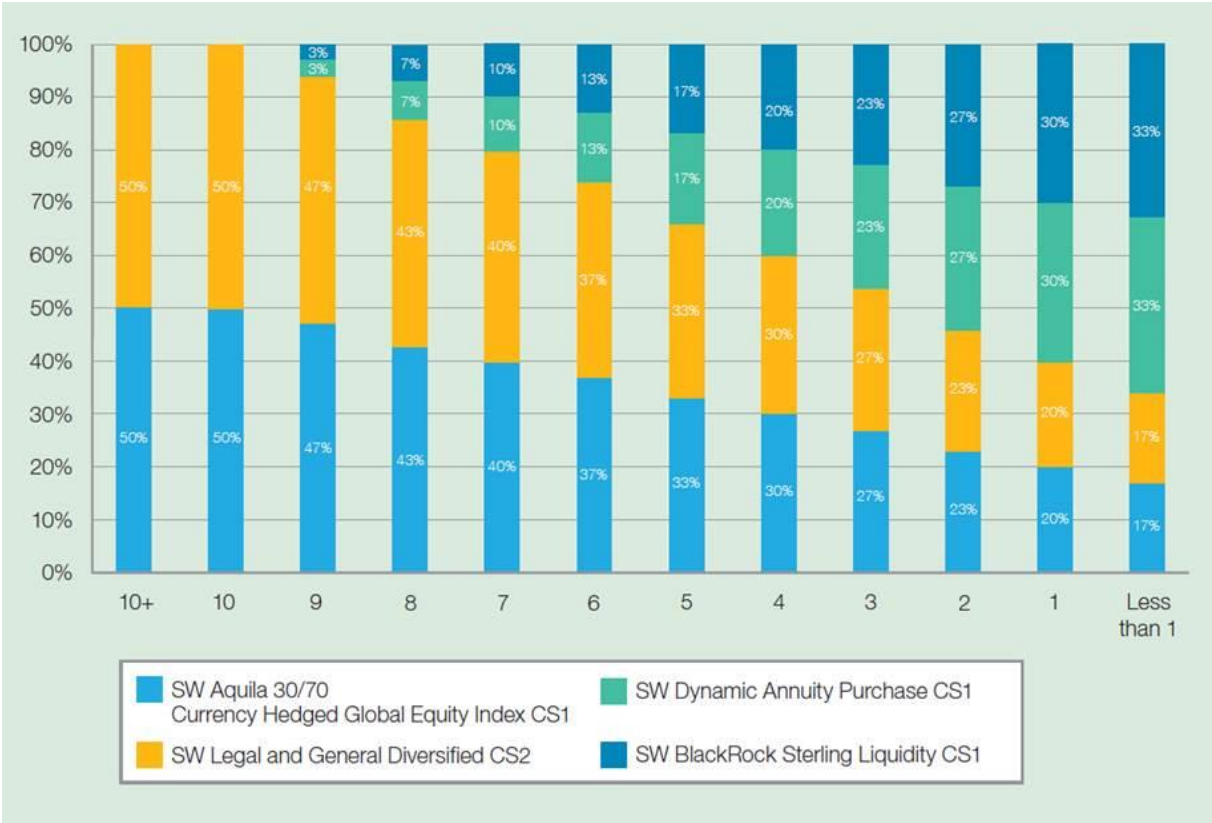
The Trustees invest the Plan's assets in a range of pooled funds with the insurer Scottish Widows. The range of investment options is designed to allow the following objectives to be met:

- 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.

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

The consolidation phase begins switching into the SW Dynamic Annuity Purchase Fund and the SW 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: SW Legal & General Diversified Fund: 17%, SW BlackRock 30/70 Currency Hedged Global Equity Index: 17%, SW Dynamic Annuity Purchase Fund: 33%, SW BlackRock Sterling Liquidity: 33%.

The graph below shows percentage investment against years to Normal Retirement Age.



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 review the appropriateness of the default arrangement, typically every three years. They will undertake an earlier review if there are any significant changes in legislation, investment policy or member demographic.

The default investment option was reviewed during the Plan year in December 2021 with advise from Willis Towers Watson. The following changes were agreed to the default investment strategy:

- Increase to equity exposure to 80% when 20 years out from retirement, with a phased reduction in equities in the de-risking phase
- Reduction to exposure to the SW Dynamic Annuity Purchase Fund in the de-risking phase by 10% at retirement, whilst increasing the exposure to the SW Legal & General Diversified Fund correspondingly in the same period.

However, the Coca-Cola Hellenic Bottling Company made the Trustees aware of its intention to propose a move to a Master Trust for the accrual of future benefits. On that basis, to avoid unnecessary transaction costs and disruption, the Trustees decided not to implement the changes above.

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			
SW BlackRock 30/70 Currency Hedged Global Equity Index	0.42%	0.03%	0.45%
SW Legal & General Diversified	0.52%	0.00%	0.52%
SW Dynamic Annuity Purchase	0.40%	0.01%	0.41%
SW BlackRock Sterling Liquidity	0.35%	0.02%	0.37%
Additional self-select funds			
SW BlackRock UK Equity Index Fund	0.35%	0.08%	0.43%

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 0.49% p.a. (if members were invested entirely in the default).

The overall annual charges applicable to the non-default arrangements ranged from 0.37% to 0.52% 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 members' 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 19		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	21,600	21,500	21,600	21,500	21,500	21,400
3	31,200	30,800	31,200	30,800	30,400	30,100
5	40,900	40,200	40,900	40,200	39,100	38,500
10	66,400	64,300	66,400	64,300	-	-
15	93,500	89,400	91,800	87,800	-	-
20	122,000	115,000	114,000	107,000	-	-
25	153,000	142,000	-	-	-	-
30	185,000	170,000	-	-	-	-
35	220,000	199,000	-	-	-	-
46	281,000	248,000	-	-	-	-

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	SW BlackRock 30/70 Currency Hedged Global Equity Index CS1		SW Legal & General Diversified CS2		SW Dynamic Annuity Purchase CS1		SW BlackRock Sterling Liquidity CS1		SW BlackRock UK Equity Index CS1	
	Before charges	Before charges	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	21,900	21,800	21,400	21,300	21,200	21,100	21,100	21,000	21,900	21,800
3	32,100	31,700	30,300	29,900	29,600	29,300	29,300	29,000	32,100	31,800
5	42,800	42,100	39,200	38,400	37,800	37,300	37,200	36,700	42,800	42,200
10	71,900	69,800	61,400	59,400	57,700	56,300	56,000	54,700	72,200	70,100
15	104,000	100,000	83,600	79,800	76,700	74,000	73,500	71,200	105,000	101,000
20	142,000	134,000	105,000	99,600	94,700	90,500	89,800	86,300	143,000	135,000
25	184,000	171,000	128,000	119,000	111,000	106,000	104,000	100,000	185,000	173,000
30	231,000	213,000	150,000	137,000	128,000	120,000	119,000	112,000	233,000	215,000
35	285,000	258,000	172,000	156,000	143,000	133,000	132,000	124,000	288,000	262,000

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 £17,000.
6. Inflation is assumed to be 2.5% each year.
7. Gross contributions of £375 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	0.40%	Below inflation
3	0.20%	Below Inflation
5	0.10%	Below Inflation
10	0.20%	Above Inflation
15	0.40%	Above Inflation
20	0.60%	Above Inflation

Years to Retirement	Projected Growth Rate (Average)	
25	0.70%	Above Inflation
30	0.80%	Above Inflation
35	0.80%	Above Inflation
46	0.90%	Above Inflation

10. The projected growth rates for each fund in table 2 are:

SW BlackRock 30/70 Currency Hedged Global Equity Index CS1: 2.4% above inflation

SW Legal & General Diversified CS2: 0.0% above inflation

SW Dynamic Annuity Purchase CS1: 1.0% below inflation

SW BlackRock Sterling Liquidity CS1: 1.5% below inflation

SW BlackRock UK Equity Index CS1: 2.5% above inflation

11. The charges assumed for each fund are those shown in “assessment of charges and transaction costs” section.

Performance of investment funds

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 (‘the 2021 Regulations’) introduce new requirements for trustees of relevant occupational pension schemes. From 1 October 2021 trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges and recorded in the Chair’s Statement.

As the Plan uses a Lifestyle where the net returns will vary depending on member age, the Trustees have shown age specific results for savers aged 25, 45, and 55 at the start of the performance reporting period.

Fund Name	1 year performance (%)	5 year performance (per annum) (%)
Lifestyle Fund		
Member aged 25	-6.96	4.72
Member aged 45	-6.96	4.72
Member aged 55	3.64	4.05

Self-Select Funds	1 year performance (%)	5 year performance (per annum) (%)
SW BlackRock 30/70 Currency Hedged Global Equity Index	-8.57	5.83
SW Legal & General Diversified	-5.09	3.61
SW Dynamic Annuity Purchase	-14.42	-0.82
SW BlackRock Sterling Liquidity	0.02	0.15
SW BlackRock UK Equity Index	-0.86	2.56

Notes

Performance information provided by Scottish Widows

Value for Members

Following new legislation, the Trustees are required to carry out a more detailed value for members assessment than the usual annual assessment, as the Plan has less than £100 million in assets according to the most recent audited accounts. This involves self-assessing a) the quality of the administration and governance with reference to seven key metrics and b) comparing the costs and charges and net investment returns (net of transaction costs and charges) against three other comparator schemes.

The 7 key metrics of administration and governance that must be considered and assessed are:

- Promptness and accuracy of core financial transactions
- Quality of record keeping
- Appropriateness of the default investment strategy
- Quality of Investment Governance
- Level of trustee knowledge, understanding and skills to operate the pension scheme effectively
- Quality of communication with scheme members
- Effectiveness of management of conflicts of interest

The 3 comparator schemes were chosen in line with the Regulations and included the LifeSight Master Trust which could reasonably be expected to accept a transfer of the rights of the Plan members.

Outcome

Having taken professional advice, the Trustees consider that the administration and governance of the Plan provided good value for members based on the performance of the Plan only. There are many factors that contribute to this rating. In particular:

- The Trustees are comfortable with the quality and efficiency of the administration processes.
- Based on regular reporting, the quality of the record keeping is good.
- The default investment option has been designed based on the Plan's membership demographics and has performed in line with the Trustees' expectations.
- The Trustees are familiar with the governing documentation and receive appropriate training.
- A robust management of conflicts of interest.

The Plan's costs and charges and net investment returns were assessed against the **average** for the comparator schemes. In particular:

- The combined charges and transaction costs for the default (where the vast majority of members are invested) are above the average of the comparator schemes.
- The majority of net investment returns for the default have been above the average of the comparator schemes over 1 and 5 year periods.

When combining all factors, the Plan was assessed to provide good value overall for members although noting that, in isolation, the level of charges and transaction costs provided below average value.

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 advisers, 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 Statement of Investment Principles, and current Plan policies from the induction process, general day to day management of the Plan and regular meetings. Five formal meetings have been held throughout the year.
- Received training sessions from its advisers during meetings to ensure the Trustees maintained an appropriate level of knowledge and understanding of current and general issues. A value for member assessment was produced in November 2021 to ensure that the benefits and service are of good quality and meet the needs of the membership.
- 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. review of legislative updates at the October 2021, November 2021 and March and May 2022 Trustee meetings and a standalone training session on Master Trusts in June 2022).
- 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: 30 JANUARY 2023

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