

# The Coca-Cola Company Pension and Assurance Scheme Annual Engagement Policy Implementation Statement

## Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 May 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

## Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The investment objectives of the Scheme, as set out in the SIP, are as follows:

- The Trustee's duty is to act in the Members' best interests. The Trustee's primary objective is to pay pensions to Members at retirement from the Scheme, therefore the maintenance of solvency and control of risk of insolvency at an appropriate level is an important objective.
- The Trustee is responsible for ensuring that the investment strategy (i.e. mix of the Scheme's investments between the various asset classes) does not put the payment of promised benefits at undue risk.

In light of the above, the Trustee has purchased an insurance contract that covers the majority of accrued benefits. Although a significant proportion of the Scheme's assets are represented by this contract, the Trustee retains a small holding in index-linked gilts and cash (together the "investable assets").

This Statement refers to the activity of the Trustee in respect of the investable assets only.

## Review of the SIP

The Scheme's SIP was updated in July 2020 driven by new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How arrangements with the asset managers incentivise the asset managers to align their investment strategy and decisions with the Trustee's policies in SIP.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of

debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

- How the method (and time horizon) of the evaluation of asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in the SIP.
- How the Trustee monitors portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of arrangements with the asset managers.

## **Policy on ESG, Stewardship and Climate Change**

The Scheme's SIP includes the policy of the Trustee in respect of Environmental, Social and Governance ('ESG') factors, stewardship and sustainability (including climate risk) for the investable assets only. The Trustee developed these policies, in conjunction with its investment adviser, during July and August 2019 and these policies were reaffirmed during February 2021.

The following work was undertaken during the year relating to the policy of the Trustee in these areas.

- The Trustee requested that the Scheme's investment manager has confirmed compliance with the principles of the UK Stewardship Code. The Scheme's investment manager confirmed that it is a signatory to the UK Stewardship Code, during its presentation to the Trustee in February 2021, and planned to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020.
- On an annual basis, the Trustee reviews the research ratings (both general and specific ESG) assigned by its investment adviser to the strategies held by the Scheme. The last review took place in July 2021.
- The Trustee met with its appointed investment manager, in April 2021, to discuss its ESG and climate risk policies alongside examples of recent engagement activity they had undertaken as a business. As part of these discussions, its investment advisor noted that the investment manager was a market leader in terms of integrating ESG factors into its investment processes (and its business more generally).
- As part of a training session in February 2021, the Trustee received training from its investment manager on ESG and climate risk requirements, which outlined what is meant by responsible investment and climate related risks and opportunities, and the Trustee's policies in these areas, alongside an 'Implementation Plan' to ensure that these can be adhered to effectively.

## **Voting Activity**

As the Scheme's investable assets are pooled investments, voting rights are exercised and engagement undertaken by the investment manager appointed by the Trustee in line with its stated policies.

Given that the Scheme did not hold any assets with voting rights over the year to 31 May 2021, the Trustee does not monitor the action of the investment manager in this area. If this situation were to change, the Trustee would monitor the voting and engagement activities of the investment manager on a periodic basis.

Prepared by the Trustee of the Coca-Cola Company Pension & Assurance Scheme in July 2021.