Stanplan F - The K. Hartwall Pension Scheme ("the Scheme") Statement of Investment Principles

Scope of Statement

This Statement has been prepared in accordance with sections 35 and 36 of the Pensions Act 1995, as amended by sections 244 and 245 of the Pensions Act 2004, respectively, and the Occupational Pension Schemes (Investment) Regulations 2005.

This statement has been commissioned by Entrust Pension Limited (the "Trustee"), as Trustee of the Scheme. The Scheme's assets are held in trust for the Scheme by the Trustee, whose powers of investment are set out in the Stanplan F General Rules.

The effective date of this Statement is July 2023. The Trustee will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

Consultations made and parties involved

The Trustee has consulted with the employer, K. Hartwall Limited, prior to writing this Statement and will take the employer's comments into account when it believes it is appropriate to do so.

The Trustee is responsible for the investment strategy of the Scheme. It has obtained and considered written advice on the investment strategy appropriate for the Scheme. It has obtained advice on the preparation of this Statement and this advice was provided by Aon Investments Limited ("Aon") which is authorised and regulated by the Financial Conduct Authority.

The following document outlines the Scheme's Statement of Investment Principles ("SIP"), which sets out the Scheme's investment objective, the Scheme's investment strategy, the Trustee's approach to risk management, issues concerning implementation of the strategy and the policy on governance.

The appendices to this statement contain further detail on the investment strategy, and may be updated from time to time without updating this statement.

A copy of this Statement is available to the members of the Scheme.

INVESTMENT OBJECTIVE

The Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. In setting investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Scheme's liabilities. The asset allocation strategy it selected is designed to achieve a higher return than the return on liabilities while maintaining a prudent approach to meeting the Scheme's liabilities.

The Trustee has set an investment objective which is to outperform the Liability Benchmark* by 1.2% per annum over rolling three year periods based on the current funding level.

**The return on the Liability Benchmark will be calculated as the percentage change in the value of the liability cashflows between the start and the end of the period. As the Scheme progresses on its Flightplan, the investment objective will change as the funding level improves.*

1. Strategy

The Trustee has decided to invest the Scheme's assets in Aon's Delegated Consulting Service. Management of the Scheme's assets has been delegated to AIL, which is authorised and regulated by the Financial Conduct Authority.

The initial investment objective will be to achieve a return of 1.2% p.a. in excess of the liabilities – AIL will invest the assets in an appropriate way to meet this investment objective (i.e. an appropriate split between the Liability Matching and Growth portfolios).

The Trustee has agreed a long-term Flightplan which aims to reduce risk, by reducing the allocation to growth assets, as the funding level improves. As such, as the funding level improves, the investment objective and underlying asset allocation is expected to change over time, as the Scheme progresses through its agreed Flightplan.

The Liability Matching Portfolio aims to take into account the movement in the underlying value of the Scheme's liabilities and the Growth Portfolio is affected by market prices of a broad range of asset classes.

The investment strategy and investment objective were determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. When choosing the Scheme's planned investment strategy, the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

2. Risk

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers chosen by AIL to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and AIL both on the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee has delegated this decision to AIL. This risk was considered by the Trustee and its advisers when setting the Scheme's investment strategy. AIL also considers this risk when implementing the strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. This will normally be done triennially. Some of these risks may also be modelled explicitly during the course of such reviews.

To allow the Trustee to monitor some of the key risks, it receives quarterly reports which will include information such as:

- Performance versus the estimated growth in the Scheme's liabilities.
- Any significant issues that may impact the Scheme's ability to meet the performance target set by the Trustee.

3. Implementation

Aon has been selected as investment adviser to the Trustee. Aon operates under an agreement to provide a service which ensures the Trustee is fully briefed to take some decisions itself and to monitor those it delegates.

The Trustee has delegated all day-to-day decisions in respect of the Scheme's investment to AIL through a written contract including the allocation of assets between different asset classes and the appointment and monitoring of fund managers. When choosing asset classes and fund managers, the Trustee and AIL are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). AIL's responsibilities include:

- Realisation of investments.
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Delegating voting and corporate governance as required for the underlying investment managers to meet the performance objectives of the investments they hold.

3.1. Environmental, Social and Governance (ESG) Considerations

In setting the Scheme’s investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The Trustee considers investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme’s investments. The Trustee considers these risks by taking advice from its investment adviser.

The Trustee has appointed AIL to manage the Scheme's assets. AIL invests in a range of underlying investment vehicles.

As part of AIL's management of the Scheme's assets, the Trustee expects AIL to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

3.2. Members' Views and Non-Financial Factors

In setting and implementing the Scheme’s investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial matters"[1]).

[1] The Occupational Pension Schemes (Investment) Regulations 2005 (SI 2005/3378), Reg. 2.

4. Arrangements with asset managers

4.1. Alignment of interests and decision making

The Trustee has appointed AIL as its fiduciary manager and considers AIL to be its asset manager.

The Trustee recognises that the arrangements with its fiduciary manager, and correspondingly the underlying managers, are important to ensure that interests are aligned. In particular, the Trustee seeks to ensure that AIL is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The Trustee receives quarterly reports and regular verbal updates from AIL on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives, and assesses AIL over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by AIL, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustee shares the policies, as set out in this Statement, with AIL and requests that AIL reviews and confirms whether its approach is in alignment with the Trustee's policies.

The Trustee delegates the ongoing monitoring of underlying managers to AIL. AIL monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the underlying managers are aligned with the investment objectives of the Scheme. This includes monitoring the extent to which the underlying managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee believes that having appropriate governing documentation, setting clear expectations to AIL, and regular monitoring of AIL's performance and investment strategy, is sufficient to incentivise AIL to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where AIL is considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically engage with AIL to understand the circumstances and materiality of the decisions made.

Before appointment of a new fiduciary manager, the Trustee will review the governing documentation associated with the fiduciary manager's approach to investment management and will consider the extent to which it aligns with the Trustee's policies, as set out in this Statement. Where possible, the Trustee will seek to amend that documentation or express its expectations (such as through side letters, in writing, or verbally at Trustee meetings) so that there is more alignment.

4.2. Evaluation of performance and remuneration

The Trustee assesses the net of all costs performance of AIL on a rolling three-year basis against the Scheme's specific liability benchmark and investment objective. The remuneration paid to AIL and fees incurred by third parties appointed by AIL are provided annually by AIL to the Trustee. This cost information is provided alongside the performance of AIL to provide context. The Trustee monitors these costs and performance trends over time.

4.3. Cost monitoring

The Trustee is aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by its investments.

The Trustee receives annual cost transparency reports from AIL. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- the total amount of investment costs incurred by the Scheme;
- the fees paid to AIL;
- the fees paid to the underlying managers appointed by AIL;
- the amount of portfolio turnover costs incurred by the underlying managers (the Trustee defines portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the underlying managers);
- any charges incurred through the use of pooled funds (custody, administration, and audit fees); and
- the impact of costs on the investment return achieved by the Scheme.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and managers. AIL monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the underlying managers.

The Trustee benefits from the economies of scale provided by AIL in two key cost areas:

- the ability of AIL to negotiate reduced annual management charges with the underlying managers; and
- the ability of AIL to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the underlying managers and achieve efficiencies where possible.

4.4. Duration of arrangements

There is no set duration for the Trustee’s arrangement with AIL, although the continued appointment will be reviewed periodically.

Similarly, there are no set durations for arrangements with the underlying managers, although these are regularly reviewed as part of AIL’s manager research and portfolio management processes.

5. Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee has delegated all voting and engagement activities to the Scheme's investment managers, via AIL. The Trustee accepts responsibility for how the manager stewards assets on its behalf, including the casting of votes in line with each managers' individual voting policies. The Trustee reviews manager voting and engagement policies on an annual basis from AIL to ensure they are in line with the Trustee's expectations and in members' best interests.

As part of AIL's management of the Scheme's assets, the Trustee expects AIL to:

- ensure that (where appropriate) underlying managers exercise the Trustee's voting rights in relation to the Scheme's assets; and
- report to the Trustee on stewardship activity by underlying managers as required.

Managers are expected to vote at company meetings and engage with companies on the Trustee's behalf in relation to ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant; votes were abstained; voting differed from the voting policy of the Trustee.

Where voting is concerned, the Trustee expects the underlying managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustee will engage with AIL, which in turn is able to engage with underlying managers, investee companies or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made.

This engagement aims to ensure that robust active ownership behaviours, reflective of the Trustee's active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members on request.

Should the Trustee's monitoring process reveal that a manager's voting and engagement policies and actions are not aligned with the Trustee's expectations, the Trustee will engage with AIL to discuss how alignment may be improved to bring about the best long-term outcomes for the Scheme.

6. Governance

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has considered whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision-making structure:

<table>
<tr><td colspan="2">Trustee
Set structures and processes for carrying out its role.
Review actual returns versus the Scheme's investment objective.
Select and review a suitable level of target return.
Select and monitor the investment advisers and AIL.
Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy (where these decisions have not been delegated)
Approve this document</td></tr>
<tr><td>Investment Adviser
Advise on all aspects of the investment of the Scheme assets.
Advise on this statement.
Provide required training.
Advise on the Liability Benchmark used by AIL.</td><td>AIL
Set the strategy for investing in different asset classes in line with the investment objective.
Determine the strategy for selecting fund managers.
Implement the investment strategy.
Select and appoint investment managers.
Monitor investment managers.
Adjust asset allocations to reflect medium term market expectations.
Report on asset performance against the liability benchmark.
Report on asset returns against objectives.
Communicate any significant changes to the investment arrangements.</td></tr>
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The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by AIL) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund manager to manage the assets delegated to it under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

AIL has appointed custodians for the safe custody of the assets held within their respective pooled funds in which the Scheme is invested. The custodians are responsible for the safekeeping of the assets held and perform the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

7. AVC Considerations

Under the terms of the Trust Deed the Trustee is responsible for the investment of Additional Voluntary Contributions (“AVCs”) paid by members. The Trustee reviews the investment performance of the chosen providers on a regular basis and takes advice as to the providers’ continued suitability.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the sponsoring employer over any changes to the SIP.

Signed on behalf of the Trustee of the K. Hartwall Pension Scheme

Signed ………………………………….. **Signed** …………………………………………..

Name Tom Neale ………………………………….. **Name** Patrick Kennedy …………………………………………..

Date 7 July 2023 ……………………………………….. *Date* 7 July 2023 ……………………………………………..

This Statement of Investment Principles is produced to meet the requirements of the Pensions Act 1995 and to reflect the Government's Voluntary code of conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

The K. Hartwall Pension Scheme (the "Scheme")
Appendix to Statement of Investment Principles

This Appendix sets out the Trustee's current investment strategy, and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

The Trustee's investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below:

1 – Asset Allocation Strategy

The Scheme's assets currently target a return of 1.2% p.a. in excess of the benchmark, and are split appropriately between the Growth and Matching Portfolio to meet this objective. The Trustee has agreed to implement a de-risking framework which results in a reduction in return-seeking assets as the funding position improves. The table below sets out the agreed splits between the Growth and Matching Portfolio at each funding level trigger point as well as the target levels of interest rate and inflation hedging.

Investment Objective in excess of benchmark (p.a.)	Interest Rate Hedge Ratio as proportion of assets	Inflation Hedge Ratio as proportion of assets	Funding Level based on proxy buy out measures of liabilities
1.2%	100.0%	100.0%	90.0%
1.0%	100.0%	100.0%	92.5%
0.8%	100.0%	100.0%	95.0%
0.6%	100.0%	100.0%	97.5%
0.4%	100.0%	100.0%	100.0%

Notes:

1. the fund manager will have discretion to invest the assets, split between Growth and Liability Matching portfolios, in a suitable way to achieve the investment objective.
2. The Funding Level will be calculated based on a 'buy-out' measure of the liabilities. The 'buy-out' liabilities will be calculated using a proxy discount rate equivalent to the buy-out basis as agreed with the Scheme Actuary on a periodic basis.

2 – The Portfolios

Growth Portfolio

The Growth Portfolio is invested in the Managed Growth (Adept 9) Fund (“The Fund”). The Fund targets a benchmark return of SONIA +4.0% per annum over a full market cycle.

The Fund is diversified by style, strategy and asset class by investing with underlying funds that may from time to time include equity funds, fixed income funds, debt funds, currency funds, hedge funds, fund of hedge funds and other collective investment schemes covering a broad range of asset classes and strategies (“the Underlying Funds”). The Fund utilises, through AIL, an investment process that consists of quantitative and qualitative analyses by which Underlying Funds are screened and regularly monitored. The Underlying Funds selected for the Fund are tracked to ensure that, in combination, their strategy, objectives, discipline, transactions, results and outlook continue to remain consistent with the Fund’s objectives. As a fund of investment funds, the Fund is designed to provide investors with the potential to control risk through diversification by investing with several Underlying Funds.

Matching Portfolio

The allocation of the Matching Portfolio is held with Schroder Pension Management Limited.

The aims of the matching funds are to provide returns in line with the liabilities of typical pension schemes on an exposure basis in the relevant tenures and instruments (long/short, real/nominal). The Matching Portfolio is to maintain an 100% hedging of assets with respect to interest rates and inflation.

In the normal course of events, the Funds will seek to achieve their investment objectives primarily by investing in a combination of a diversified portfolio of fixed income securities directly or through the use of derivatives and collective investment schemes which themselves invest primarily in these instruments.

AIL has the flexibility to utilise the Low Risk Bond Fund, which can be used for any excess collateral. The Low Risk Bond Fund will sit alongside the Matching Portfolio.

3 – Other matters

Cash investments and disinvestments

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustee's intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrator.

The investment managers are not permitted to hold cash, other than within the funds themselves and subject to the constraints set by the investment managers.

Last updated: July 2023

The Trustee has commissioned Aon to produce this SIP. The Trustee will provide a copy of this SIP on request to Scheme members.

The Trustee recognises that there is a requirement to demonstrate good governance and to be transparent and accountable to Scheme members, therefore an annual review of the investment manager's performance against the agreed benchmarks is available in the Trustee's Annual Report to members. This will also report on any changes to the Scheme's investment strategy.

Quarterly monitoring of the investment manager's performance against its benchmarks will be provided by AIL.