Carlsberg UK Limited Pension Scheme

Statement of Investment Principles

March 2023

Contents

1 Introduction

Scheme background

- This Statement of Investment Principles (the “Statement”) details the principles governing investment decisions for the Carlsberg UK Limited Pension Scheme (the “Scheme”).
- The Scheme:
  - operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries,
  - provides benefits calculated on a defined benefit (DB) basis,
  - is closed to future accrual.
- Isio is investment consultant to the Trustee.

Regulatory requirements and considerations

- This statement covers the requirements of, and the Scheme’s compliance with, the provisions of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 as well as additional non-statutory information recommended to be included following the Myners review of “Institutional Investing in the UK”, the results of which were first published in 2001 (referred to as the “Myners Principles”).
- The Myners Principles require Trustee Boards to act in a transparent and responsible manner. The information set out in this document helps ensure that the Trustee is complying with this requirement.
- In respect of the additional voluntary contributions provided on a money-purchase basis within the Scheme, the Trustee has taken into account the requirements and recommendations within the Pension Regulator’s DC code and regulatory guidance.

2 Statement of Investment Principles

Introduction

- This section of the Statement covers the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005.

- In accordance with section 35 of the Pensions Act 1995, the Trustee has reviewed and considered written advice from the investment consultant prior to the preparation of this Statement and has consulted the Sponsoring Employer.

- The Trustee will review this Statement, in consultation with the investment consultant and the Sponsoring Employer, at least once every three years, or more frequently if there are any significant changes in the Scheme's circumstances. However, ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

Key investment principles

Kind of investments to be held

- The Trustee has full regard to their investment powers under the Trust Deed and Rules and the suitability of the various types of investments, the need to diversify, the custodianship of assets and any self-investment.

- The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, property, private assets, derivatives and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes. The Trustee has considered the attributes of the various asset classes (including derivative instruments), these attributes being:

  – security (or quality) of the investment,

  – yield (expected long-term return),

  – spread (or volatility) of returns,

  – term (or duration) of the investment,

  – exchange rate risk,

  – marketability/liquidity (i.e., the tradability on regulated markets),

  – taxation.

Investment Decisions

- All investment decisions are taken by the Trustee Board as a whole, or by the designated Investment and Finance Committee ('IFC') as appropriate which reports back to the Trustee Board. The Trustee believes that having a subcommittee to consider investment matters is the appropriate structure, given the size of the board and the nature of the arrangements. The Trustee will examine regularly whether additional investment training is desirable for any individual Trustee Director or IFC member.

- All investment decisions relating to the Scheme are under the Trustee's control without constraint by the Sponsoring Employer. The Trustee is obliged to consult with the Sponsoring Employer when changing this Statement.

- All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. Investment management agreements and/or an insurance contract have been exchanged with the investment managers and are reviewed from time to time to ensure that the manner in which they make investments on the Trustee's behalf is suitable for the Scheme, and appropriately diversified.

Investment Objectives and Suitability of Investments:

- The Scheme's investment strategy has been agreed by the Trustee having taken advice from the investment consultant and takes due account of the Scheme's liability profile along with the level of disclosed surplus or deficit. The Trustee considers the context of the Scheme's long-term journey when setting the investment strategy.

- The Trustee's agreed investment strategy is based on an analysis of the Scheme's liability profile, the required investment return and the returns expected from the various asset classes over the long term. Long-term returns from equities and other 'growth assets' are expected to exceed the returns from gilts and cash, although returns and capital values may demonstrate higher volatility. The Trustee considers how far it should invest in higher risk (and more volatile) asset classes in order to aim to achieve the overall long-term investment objectives.

- The Trustee's long-term objectives are:

  – to provide appropriate security for all beneficiaries,

  – to achieve long-term growth sufficient to provide the benefits from the Scheme, and

  – to achieve an appropriate balance between risk and return with regards to the cost of the Scheme and the security of the benefits.

- The Trustee has translated its long-term objectives into a suitable strategic asset allocation benchmark for the Scheme, details of which are included in the Investment Policy Implementation Document ('IPID').

- In accordance with the Financial Services & Markets Act 2000, the Trustee is responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment managers authorised under the Act. Details are included in the IPID.

- The Trustee is responsible for reviewing both the Scheme's asset allocation and investment strategy as part of each actuarial valuation in consultation with the Scheme's investment consultant. The Trustee may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

Diversification

- The Trustee, after seeking appropriate investment advice, has selected a strategic asset allocation benchmark for the Scheme (see IPID).

- Subject to their respective benchmarks and guidelines (shown in the Trustee's Investment Policy Implementation Document) the investment managers are given full discretion over the choice of securities and are expected to maintain diversified portfolios.

- The Trustee is satisfied that the investments selected are consistent with their long-term investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

- Given the size and nature of the Scheme, the Trustee has decided to invest the Scheme's assets on a pooled fund basis, albeit the structures are different across a range of asset classes (e.g. insurance policies or limited partnerships). All such investments are effected through direct agreements with the investment managers and/or through an insurance contract.

- The Trustee is satisfied that the range of vehicles in which the Scheme's assets are invested provides adequate diversification.

Risk

- The Trustee considers the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due. The Trustee has assessed the likelihood of undesirable financial outcomes arising in the future.

- Investment policies are set with the aim of having sufficient and appropriate assets to achieve the Trustee's long-term objectives and with the need to avoid undue contribution rate volatility.

- In determining its investment strategy, the Trustee received advice from the investment consultant as to the likely range of funding levels for strategies with differing levels of investment risk relative to the Scheme's liability profile. Taking this into account, along with the expected returns underlying the most recent actuarial valuation, the strategy outlined in the IPID has been adopted.

- Although the Trustee acknowledges that the main risk is that the Scheme will have insufficient assets to meet its liabilities, the Trustee recognises other contributory risks, including the following. Namely the risks:

  – associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors,

  – of the Scheme having insufficient liquid assets to meet its immediate liabilities,

  – of the investment managers failing to achieve the required rate of return,

  – due to the lack of diversification of investments,

  – of failure of the Scheme's Sponsoring Employer to meet its obligations.

- The Trustee manages and measures these risks on a regular basis via actuarial and investment reviews, and in the setting of long-term investment objectives and strategy.

- The Trustee (with assistance from the IFC) undertakes monitoring of the investment managers' performance against their targets and long-term objectives on a regular basis.

- Each fund in which the Scheme's invests has a stated performance objective by which investment performance will be measured. These are shown in the Trustee's IPID. Within each asset class, the investment managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

- The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the Trustee and IFC, with advice from the Scheme's investment consultant. Any deviation from the target asset allocation will be discussed periodically with the investment consultant, with a view to considering whether any action is required.

Expected return on investments

- The investment strategy has been designed to be capable of exceeding, in the long run, the overall required rate of return assumed in the Scheme Actuary's published actuarial valuation report in order to reach a fully funded status under the agreed assumptions.

Realisation of investments

- In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustee requires the investment manager(s) to be able to realise the Scheme's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Scheme.

- The majority of the assets are not expected to take an undue time to liquidate.

Investment Manager Monitoring

- The Trustee will assess (with assistance from the IFC) the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.

- All investment decisions, and the overall performance of the investment managers, are monitored by the Trustee and IFC with the assistance of the investment consultant.

- The investment managers will provide the Trustee with quarterly statements of the assets held along with a quarterly report on the results of the past investment policy and the intended future policy, and any changes to the investment processes applied to their portfolios. The investment managers will also report orally on request to the Trustee/IFC.

- The Trustee receives an independent investment performance monitoring report from their investment consultant on a quarterly basis.

- The investment managers will inform the Trustee of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

- The Trustee/IFC will assess the quality of the performance and processes of the investment managers by means of a review at least once every three years in consultation with the investment consultant.

- Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

Balance between different kinds of investments

- The appointed investment manager(s) will hold a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market each manager will maintain a diversified portfolio of securities.

Financially material considerations

- The Trustee has a formal policy (see Appendix) on how environmental, social and governance (ESG) factors should be integrated in investment decision-making and expects its investment managers, where appropriate, to adhere to this policy and take into account of financially material considerations as part of their investment analysis and decision-making process.
- The Trustee's investment consultant reports on the investment managers' policies in respect of financially material considerations. The Trustee will review these reports and consider taking action if any discrepancies are identified.
- The Trustee will take into account the approach to financially material considerations in deciding whether to retain or appoint investment managers.

Extent to which non-financially material matters are taken into account

- The Trustee's long-term objective is that the financial interests of the Scheme members are their first priority when choosing investments. The Trustee does not currently take non-financially material factors into account.

Stewardship in relation to the Scheme's assets

- The Trustee has a fiduciary duty to consider its approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.
- The Trustee's policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.
- The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustee detailing their voting activity. The Trustee will take corporate governance policies into account when appointing and reviewing such investment managers. The Trustee will in advance explain to their Stewardship priorities to each of the Scheme's investment managers.
- The Trustees will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters at least annually. The Trustees will share any agreed stewardship priorities to ensure alignment in voting and engagement activity. The Trustee will seek to understand and encourage their investment managers to align with their stewardship policies and any priorities should be clear.

Investment manager policy

- In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustee is to select investment managers that meet the primary long-term objectives of the Trustee. As part of the selection process and the ongoing review of the investment managers, the Trustee consider how well each investment manager meets the Trustee's policies and provides value for money over a suitable timeframe.
  - The Trustee has delegated the day to day management of the Scheme's assets to investment managers. The Scheme's assets are invested in pooled funds which have their own policies

and long-term objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and long-term objectives.

- The Trustee, in conjunction with its investment consultant, appoints its investment managers and chooses the specific fund structure to use in order to meet specific Scheme policies. It expects that its investment managers make decisions based on assessments about the financial merits of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

- The Trustee expects its investment managers to invest the assets within its portfolio in a manner that is consistent with the guidelines and constraints set out in its appointment documentation. The Trustee reviews the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

- If the Trustee determines that the investment manager is no longer managing the assets in line with the Trustee's policies, it will make its concerns known to the investment manager and may ultimately disinvest.

- The Trustee pays its investment managers a management fee which is a fixed percentage of assets under management (or exposure for derivative based mandates). Some investment managers are paid an additional fee based on their investment performance. These fees have are reviewed periodically to ensure they remain competitive versus peers.

- Prior to agreeing a fee structure, the Trustee, in conjunction with its investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- The Trustee does not explicitly monitor turnover, set target turnover or turnover ranges. The Trustee believes that the investment managers should follow its stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique in nature and there is the potential for markets to change significantly over a short period of time.

- The Trustee does not in general enter into fixed long-term agreements with its investment managers and instead retains the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustee's policies. However, the Trustee expects its manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

- The Trustee will make illiquid investments from time to time, having considered the risk / return characteristics of these assets. Where illiquid investments are used, this involved the Trustee entering into long-term agreement with managers.

Employer-related investments

The amount of the sponsoring employer's securities, owned by pooled investment vehicles invested in, are monitored. The Trustee has delegated the responsibility for the exercising of any voting rights attached to any sponsoring employer investment held to the investment managers.

Additional Voluntary Contributions (AVCs)

- The Trustee has full discretion as to the appropriate investment vehicles made available to members of the Scheme for its voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustee, having taken appropriate written advice from properly qualified and authorised financial advisers.

- The Trustee makes available the following range of investment options for the members' AVCs:

AVC Provider	Investment Options
Legal & General	Unit Linked
Utmost	Unit Linked
Fidelity Investment Management	Unit Linked
Standard Life	Unit Linked, With Profits
BlackRock	Cash Fund
Clerical Medical	Unit Linked, With Profits

- In selecting this range of funds offered the Trustee has taken advice from its professional advisers on:

  – the risks faced by members in investing on a money purchase basis, and

  – the Trustee's responsibilities in the selection and monitoring of the investment options offered.

- The Trustee will continue to manage the AVC arrangements having taken professional advice on these matters.

- The Trustee will monitor the performance of AVC providers periodically.

- Members are directed to seek independent financial advice when considering their AVC arrangements.

3 Appointments & Responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

Trustee and IFC Responsibilities

The IFC will be responsible for addressing all investment and finance issues relating to the Scheme.

In particular, the primary duties of the IFC will fall into the following key categories:

- Investment strategy proposals and manager oversight;
- Interaction of investment strategy with covenant and funding strategy; and
- Liability management and long-term funding plan considerations.

The Terms of Reference for the IFC sets out in detail the primary duties of the Committee.

The IFC will consult with the Company (and Parent Company as appropriate) who in turn will consult with the Company advisor regarding the Trustee's investment policy and report back to the Trustee Board.

The Trustee retains responsibility for deciding on the investment strategy, based on proposals made by the IFC.

Investment Consultant

The main responsibilities of the investment consultant include:

- assisting the Trustee in the preparation and periodic review of this Statement in consultation with the Sponsoring Employer,
- undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustee,
- advising the Trustee on the selection and review of the investment manager(s),
- providing training or education on any investment related matter as and when the Trustee sees fit, and
- monitoring all aspects of the Scheme (including performance, ESG considerations, cashflows etc) and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment Managers

The investment managers' main responsibilities include:

- investing assets in a manner that is consistent with the long-term objectives set,

- ensuring that investment of the Scheme's assets is compliant with prevailing legislation and the constraints detailed in this Statement,

- providing the Trustee with quarterly reports including any changes to their investment process and a review of the investment performance,

- attending meetings with the Trustee as and when required,

- informing the Trustee of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur, and

- considering financially material risks affecting investments within their portfolio

- exercising voting rights on shareholdings in accordance with their general policy.

Custodian

The custodians used are responsible for the safe-keeping of the Scheme's assets.

- The custodianship arrangements are those operated by the investment managers for clients investing in their pooled funds.

Administrators

The administrator's primary responsibilities are the day to day administration of the Scheme and the submission of specified statutory documentation, as delegated by the Trustee.

The Scheme's administrator is Mercer.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme; and

- performing the triennial (or more frequently as required) actuarial valuation and advising on the Scheme's funding level and therefore the appropriate level of contributions in order to aid the Trustee in balancing short-term and long-term investment objectives.

The Scheme Actuary is Leanne Johnston of Mercer.

Signed on behalf of the Trustee of Carlsberg Pension Trustee Limited:

Mark Evans
29 March 2023

Appendix – ESG Policy

Introduction

This Environmental, Social and Governance ("ESG") Policy Statement ("the Policy") has been prepared by Carlsberg Pension Trustee Limited as the Trustee of the Carlsberg UK Limited Pension Scheme ("the Scheme"). The purpose of the Policy is to sit alongside the DB Scheme's Statement of Investment Principles ("SIP"), formalising the Trustee's ESG beliefs and its policy on how ESG factors should be integrated in investment decision-making. The Policy will be made available to members upon request.

The Trustee defines Responsible Investment ("RI") in line with the UN-backed Principle for Responsible Investing ("PRI"), which states that RI is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long term returns.

The Trustee also has a responsibility to the Scheme's sponsoring employers ("Carlsberg"), which bear the cost and risk of the Scheme. This policy has been prepared in consultation with the sponsor and the Trustee has taken into consideration Carlsberg's own Sustainability policy and goals as part of this process.

Rationale for the Policy

The Scheme is a large institutional investor, investing on behalf of its members. As part of the Trustee's fiduciary duty, which includes a comprehensive approach to risk management, it has been recognised that ESG factors, including, but not limited to, climate change, can be financially material. The Trustee recognises that there is a need for the Scheme to be a long-term, responsible investor in order to achieve sustainable returns.

The Trustee believes that they should be responsible stewards of their assets and consider the wider impacts of their investment decisions on the environment and society. Where possible, and in line with the beliefs set out in this Policy, positive ESG outcomes will be targeted within the investment portfolios.

Impact of the Policy on investment decision making

The Trustee decides the Scheme's investment strategy and asset allocation. This includes which asset classes the Scheme should be invested in e.g., LDI and credit. In making any portfolio construction decisions, the Trustee will have regard for the Policy.

Within each asset class, the Trustee delegates the day-to-day investment decision making to the investment managers – e.g., holding a bond issued by a particular company or exposure to a particular sector. In appointing and reviewing the Scheme's investment managers, the Trustee, with the assistance of the Trustee's investment consultant, considers the manager's expertise, track record and stated policies and frameworks on ESG related issues. Going forward, as part of the initial and ongoing due diligence of the Scheme's investment managers, the Trustee will assess and monitor their considerations of ESG factors and how these are incorporated into their investment decision making.

In addition, the Trustee will consider opportunities that may arise from regulation on ESG factors or market dislocations and will receive training and updates periodically to update them on these trends and opportunities.

The Trustee's ESG beliefs

The Trustee has formulated a set of ESG beliefs to help underpin overall investment decision making. The Trustee's ESG beliefs have been summarised below.

Section		ESG beliefs
Risk Management	1	ESG factors are important for risk management and can be financially material. Ensuring these risks are managed appropriately forms part of the fiduciary duty of the Trustee.
	2	The Trustee believes that ESG integration leads to better risk adjusted outcomes and wants a positive ESG tilt to the investment strategy.
	3	The Trustee will consider the ESG values and priority areas of the stakeholders and sponsor.
Investment Approach	4	The Trustee wants to understand how investment managers integrate ESG considerations into their investment process and in their stewardship activities.
	5	The Trustee wants to agree an objective to align its investment portfolio with the UK government's ambition to be a net zero greenhouse gas emitter by 2050, or before.
Voting & Engagement	6	ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors.
	7	The Trustee wants to understand the impact of voting & engagement activity within their investment mandates.
	8	The Trustee believes that engaging with managers (including on stewardship priorities) is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers in the first instance.
	9	The Trustee's stewardship priority is climate change. As good stewards of investments, the Trustee has set clear stewardship priorities in the members' best interests. These priorities will be communicated to investment managers to influence stewardship activity. The Trustee expects companies to begin reporting climate governance, strategy, policies and performance against the TCFD's disclosure framework. If companies do not meet this expectation, the scheme may take a number of actions including: • Co-filing or supporting a shareholder resolution on the issue; • Voting against the company's report and accounts; • Voting against the reappointment of the Board Committee Chair responsible for climate change issues; • Voting against the Chair, reappointment of the auditor (where the auditor's report does not reference climate change), or the reappointment of the Audit Chair.
Reporting	10	ESG factors are dynamic and continually evolving, therefore the Trustee will receive training as required to develop their knowledge.

	11	The Trustee will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.
	12	The Trustee will set ESG targets considering both the Trustee and Sponsor's views.
Collaboration	13	Investment managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI, TCFD and Stewardship Code.
	14	The Trustee will consider at what stage it should sign up to recognised ESG frameworks (e.g., should this be in line with or ahead of regulatory requirements).

Implementing the Policy

The Trustee will implement the policy through the following steps:

i. The Trustee will continue to develop their understanding of ESG factors through regular training on ESG and keep themselves up to date on the latest sustainable investment opportunities.
ii. The Trustee will incorporate ESG criteria as part of new manager selection exercises, with explicit consideration of ESG factors for any segregated mandates.
iii. The Trustee will consider which ESG metrics to monitor and the Trustee's investment consultant will engage with each manager on the Trustee's behalf to improve the availability and quality of reporting.
iv. The Trustee will undertake an annual review of the existing investment managers' approach to integrated ESG factors and new ESG opportunities.
v. The Trustee will look to review ESG Beliefs annually. As part of this review, the Trustee will consider the UN Sustainability Goals, including those highlighted by the Sponsor in their own Sustainability Policy
vi. Through the review cycle, if actions are identified where investment managers are misaligned with the Trustee's ESG beliefs. The Trustee's investment consultant will engage with each manager on the Trustee's behalf to remedy these issues where possible.
vii. The investment managers' stewardship and engagement activities will be monitored on an ongoing basis and the Trustee will seek to understand the effectiveness of these activities.

Monitoring and reviewing the Policy

The Trustee will monitor the Scheme's assets against this Policy on an ongoing basis, with the assistance of the Trustee's investment consultant. The Trustee views the development of the Policy as an ongoing process as approaches to integrating ESG factors continue to evolve over time.