

Jacobs Douwe Egberts UK Pension Plan

Statement of Investment Principles – August 2022

1. Introduction

Jacobs Douwe Egberts UK Pension Trustee Limited (“the Trustee”) is the Trustee of the Jacobs Douwe Egberts UK Pension Plan (“the Plan”) and has drawn up this Statement of Investment Principles (“the Statement”) in order to record the investment arrangements, and the rationale behind them, adopted by the Trustee of the Plan. The Statement is designed to comply with the requirements of the Pensions Act 1995 and subsequent legislation, and to fulfil the spirit of the Code of Best Practice published in 2001.

This Statement has been updated following the decision by the Trustee to liquidate the credit asset class (part of matching assets). In the preparation of this Statement, the Trustee consulted the Principal Employer, D.E Holding UK Limited (“the Company”), about investment objectives and strategy and has taken its views into account. The final decisions have, however, been made by the Trustee, who has taken written advice from SECOR Investment Advisors (UK), LLP (“the Strategic Investment Advisor”). The Strategic Investment Advisor is believed by the Trustee to be qualified by its ability in, and practical experience of, financial matters and to have the appropriate knowledge and experience of the management of the investments of pension schemes. The content of the Statement has been shared with Adam Walker of Barnett Waddingham (“the Plan Actuary”).

Background

The Plan arose from the merger in 2002 of five pension schemes - Courtaulds Textiles Pension Scheme, Douwe Egberts Coffee Systems Ltd Retirement Benefit Scheme, Playtex Limited Retirement Benefits Scheme, Pretty Polly Pension Scheme and Sara Lee H&BC Pension Scheme - and from the merger in November 2018 of the Plan with the JDE UK Legacy Retirement Benefits Plan. To coincide with the latter merger the Trustee changed its corporate name from D.E Pension Trustee UK Limited to Jacobs Douwe Egberts UK Pension Trustee Limited and changed the name of the Plan from D.E UK Pension Plan to Jacobs Douwe Egberts UK Pension Plan.

The Plan provides the distinct benefits previously provided by each of the constituent schemes through the operation of separate benefits sections. All sections of the Plan provide defined benefit (“DB”) pension benefits. The JDE UK Legacy Retirement Benefits Plan provided both DB and defined contribution (“DC”) pension benefits which are now provided by the Plan through its “JDE UK Legacy Section”. The DC benefits in the JDE UK Legacy Section are referred to in this Statement as the “JDE UK Legacy DC Section”. The Plan is now a hybrid pension plan providing both DB and DC pension benefits for JDE UK Legacy Section members. The Plan also provides an additional voluntary contribution (“AVC”) savings facility. The Plan closed to future service accrual on 30 June 2021.

2. Process for choosing investments

The Trustee has established a duly constituted Investment & Funding Committee comprising three Trustee Directors. The Trustee has delegated decisions relating to the Plan’s investments to this

Committee and monitors its decisions to ensure consistency with the Trustee's investment strategy.

2.1 DB Section investments

The stewardship of the Plan's DB investment arrangements may be divided into three main areas of responsibility. The first, the strategic management of the assets, is fundamentally the responsibility of the Trustee and is driven by its investment objectives, as set out in section 3 of this Statement. The second area is the day-to-day management of the assets, which the Trustee has delegated to professional investment managers, overseen by the Strategic Investment Advisor, whose roles are described in Appendix A. The third area is the ongoing measurement and monitoring of the performance of the appointed investment managers against predetermined benchmarks, as measured by Northern Trust ("NT"), custodian and performance agent, under the oversight of the Strategic Investment Advisor.

2.2 DC Section investments

The stewardship of the Plan's DC investment arrangements may be divided into three main areas of responsibility. The first, the investment strategy of the default option and the investment options available to members, is fundamentally the responsibility of the Trustee and is driven by its investment objectives, as set out in section 3 of this Statement. The Trustee has received advice on the setting of the default strategy and the investment options available to members and the default strategy-specific Statement of Investments Principles is set out in Appendix B of this Statement. The second area, the day-to-day management of the Plan's DC assets has been delegated to professional investment managers and to Barnett Waddingham ("the Plan Administrator"), who are overseen by the Strategic Investment Advisor. The third area is the ongoing measurement and monitoring of the performance of the appointed investment managers, as measured by the custodians of the investment managers. The Strategic Investment Advisor supports the Trustee in monitoring the performance of the investment managers.

3. Investment objectives

3.1 DB Section investment objectives

The Trustee's overriding objective is to invest the Plan's DB assets in accordance with its fiduciary responsibilities and in the best financial interest of the beneficiaries. Within this framework the Trustee has agreed to a number of objectives to help guide it in its strategic management of the assets and control of the various risks to which the Plan is exposed. The Trustee's policy on risk management is summarised in section 4 of the Statement.

The Trustee has decided as follows for the DB Section investments:

- a) The Trustee has set an objective to invest in such a manner that benefits and entitlements can be paid when they fall due. To achieve this, the Trustee is aiming to achieve and maintain a funding level of at least 100% on an ongoing basis, as advised periodically by the Plan Actuary. The Trustee pursues investment strategies which offer a reasonable probability that funding will be at or above its desired level over the lifetime of its members.

- b) The Trustee has also set an objective to pay benefits and entitlements in full by maintaining at least full funding on a Technical Provisions basis. This valuation basis (using a Gilts-based investment return assumption plus a target excess return over Gilts of 31 basis points per annum net of fees) is considered appropriate for the purposes of setting investment strategy because this approach effectively “prices” the liability cash flows in a manner consistent with financial markets. Moreover, assets equal to the present value of projected liability cash flows on this basis would be expected to be sufficient to cover all future benefit payments as long as the return hurdle over Gilts is achieved, ignoring the uncertainties introduced by demographic factors.
- c) To achieve the target excess return to Gilts in (b), the Trustee is prepared to take on some risk in a controlled manner by investing in equities and potentially other return enhancing asset classes, and by using active investment managers, where considered appropriate, in the management of the Plan’s assets.

On a Technical Provisions basis, the results of the actuarial valuation at 1 April 2021 showed the Plan to be in a strong position with no deficit payments required. Jacobs Douwe Egberts International B.V (“the Sponsor”) continued to make contributions to the Plan with respect to future service accrual of active members until the Plan closed to future service accrual on 30 June 2021.

3.2 DC Section investment objectives

The Trustee’s primary objectives for the JDE UK Legacy DC Section are to provide members with access to:

- a) an appropriate range of investment options, reflecting the membership profile of the JDE UK Legacy DC Section and the variety of ways that members can draw their benefits in retirement; and
- b) a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions.

The objective of the default option is to generate returns above inflation whilst members are some distance from retirement, but then switch automatically and gradually to lower risk investments as members near retirement.

4. Risk management and measurement

There are various risks to which the Plan is exposed. The Trustee’s policy on risk management is set out below, distinguishing between risks that are specific to the DB and DC sections.

4.1 DB Section risk management and measurement

The Trustee’s policy on risk management for the DB sections is as follows:

- The primary risk upon which the Trustee focuses is that arising through a mismatch between the Plan's assets and its liabilities.
- The Trustee recognises that whilst increasing risk can increase potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Plan's liabilities as well as producing more short-term volatility in the Plan's funding position. The Trustee has taken advice on the matter and (considering the objectives noted previously) considered carefully the implications of adopting different levels of risk.
- The Trustee recognises that not all of the Plan's investments are in Sterling and therefore the Plan is exposed to foreign currency risk. Foreign currency investments can help diversify the Plan's overall risk. The Trustee has taken advice on the matter and carefully considered the implications of adopting a level of foreign currency risk.
- The Trustee also recognises that there are other, non-investment, risks to the funded status of the Plan. Examples include longevity risk (the risk that members live, on average, longer than expected), Sponsor risk (the risk, for whatever reason, that the Sponsor is unable to support the Plan as anticipated) and regulatory risk (the risk that changes in pension regulation increases the Plan's liability).
- The Trustee recognises that where the Plan invests in derivatives, such as swaps, this exposes the Plan to counterparty risk (i.e. the risk that the other party to the derivative contract fails to fulfil its obligations). Derivatives, such as swaps, may be used within segregated accounts in the name of the Plan or funds in which the Plan may invest. The Plan employs plan level overlays to help ensure the strategic objective of meeting full funding. The associated counterparty risk is largely mitigated by ensuring that the relevant investment managers:
 - Execute over-the-counter derivatives only with highly rated and appropriately regulated banks; and
 - Operate a daily collateralisation/margin call process to attempt to reduce the potential exposure to the default of a derivative counterparty.

However, the Trustee recognises that it is not possible to eliminate all counterparty risk from a derivative portfolio.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation policy in place results in an adequately diversified portfolio. Plan assets will primarily be invested in segregated accounts, with some investment exposure obtained via pooled vehicles.

- The Trustee recognises the risk that the Plan is unable to realise assets to meet benefit cash flows as they fall due. The Trustee is aware of the Plan’s anticipated cash flow requirements and believes that this risk is managed appropriately via the Plan’s rebalancing approach, as coordinated by the Plan Administrator, the Strategic Investment Advisor, and NT.
- The bulk of Plan’s DB assets may be invested in passive strategies. A passively managed strategy here refers to a portfolio or fund that seeks to mirror a market index. Passive management will be used for a number of reasons, namely:
 - To diversify risk;
 - To invest in markets deemed efficient where the scope for active management to add value is limited; and
 - As a temporary measure, pending investment with an active manager.
- The Trustee recognises that the use of active investment managers involves the risk that the day-to-day management of the assets may not achieve the rate of investment return within each asset class expected by the Trustee. However, it believes that this risk may be outweighed by the potential gains from successful active management if the managers’ skills have been carefully assessed. Therefore, there is a role for both active and passive management. Active management here refers to a style of investing under which the aim is to outperform the performance of a market index by regularly making buy, hold or sell decisions.
- At the total Plan level, and within individual investment manager appointments, investments should be broadly diversified to ensure there is not a concentration of investment with any one issuer.
- Environmental, social and corporate governance (“ESG”) factors are sources of risk to the Plan’s investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time the Trustee reviews how these risks are being managed in practice.
- The documents governing the investment manager appointments include guidelines which, among other things, are designed to ensure that only suitable investments are held by the Plan. The investment managers are prevented from investing in asset classes outside their mandate without the Trustee’s prior consent.
- Arrangements are in place to monitor the Plan’s investments to help the Trustee check that nothing occurs that would bring into question the continuing suitability of the current investments. To facilitate this, regular meetings are held with the Plan’s investment managers and regular reports are received from all investment managers and the Strategic Investment Advisor. These reports include qualitative assessments of the level of risk to ensure the risks taken and returns achieved are consistent with those expected.

- The safe custody of the Plan's assets is delegated to professional custodians (either directly or via the use of pooled vehicles).

4.2 DC Section risk management and measurement

The Trustee's policy on risk management for the JDE UK Legacy DC Section is as follows:

- As members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the default strategy. To reduce the chance of a sharp deterioration in members' benefits close to retirement, the Trustee has made the default option a lifestyle strategy (i.e. it automatically combines investments in proportions that vary according to the time to target retirement age).
- There is a risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Plan's DC assets. The Trustee believes that the Plan's DC default strategy is adequately diversified between different asset classes and within each asset class and the DC options provide a suitably diversified range of choice for members. This was a key consideration when determining the Plan's DC investment arrangements and is monitored by the Trustee on a regular basis.
- There is a risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustee receives written advice from a suitably qualified individual and undertakes a selection process. The Trustee monitors the investment managers on a regular basis to ensure they remain appropriate for their mandates.
- There is a risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustee manages this risk by only using pooled funds with daily dealing within the default strategy and diversifying the strategy across different types of investment.
- The Trustee recognises that the Plan is exposed to counterparty risk through the Plan's exposure to investment managers and the Plan's Trustee bank account. The counterparty risk is largely mitigated through restrictions on the types of securities the investment managers can invest in set out in the pooled fund documentation and by holding a minimal amount of cash in the Plan's Trustee bank account. However, the Trustee recognises that it is not possible to eliminate all counterparty risk.

- ESG factors are sources of risk to the Plan’s investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time the Trustee reviews how these risks are being managed in practice.
- There is a risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The JDE UK Legacy DC Section is subject to credit risk because it invests in pooled bond funds. Within the JDE UK Legacy DC Section’s bond portfolios, the Trustee manages its exposure to credit risk by the manager having a diversified exposure to bond issuers, conducting thorough research on the probability of default of those issuers and having only a limited exposure to bonds rated below investment grade.
- The JDE UK Legacy DC Section is subject to currency risk because some of the investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall default investment strategy and seeks to ensure that currency exposure diversifies the strategy and is appropriate.
- For a given amount of money the level of pension secured for a DC member will depend upon investment conditions at retirement. A sharp deterioration in these conditions in the period just prior to retirement can have a substantial impact on the benefits provided. To protect against this, the Trustee has made available a number of “lifestyle” strategies including an annuity lifestyle strategy designed to help mitigate this risk for members who expect to buy an annuity.
- The JDE UK Legacy DC Section assets in pooled bond funds are also subject to interest rate risk. The inclusion of bonds within the annuity lifestyle strategy, which targets annuity purchase at retirement, is appropriate since this reduces the volatility of the members’ assets relative to annuity prices to give them more certainty. Bond funds are also offered as self-select options to members and may be used by members to diversify against other types of risk.
- Arrangements are in place to monitor the Plan’s DC investments to help the Trustee check that nothing occurs that would bring into question the continuing suitability of the current investments. To facilitate this, regular meetings are held between the Trustee and the Strategic Investment Advisor who helps the Trustee oversee the Plan’s investment managers. The Trustee also receives regular reporting from the Plan’s Administrator to ensure core financial transactions are being processed promptly.
- There are other risks that arise from certain investment activities. The investment managers may place controls on such activities and these are set out in the legal documentation appropriate to each fund.

Should there be a material change in the Plan’s circumstances, the Trustee will review whether, and to what extent, the investment arrangements should be altered; in particular, whether the current risk profile remains appropriate.

5. Investment strategy

5.1 DB Section investment strategy

The Trustee has considered in general terms the possible impact of different strategies in relation to the risks identified above. The DB investment strategy of the Plan is appropriate for the circumstances of the Plan. The Trustee has adopted the following DB investment strategy for the Plan to achieve an appropriate balance between the objectives set out in section 3.1 and the risks described in section 4.1.

- The strategy will target 92.5% matching assets and 7.5% growth assets and will be implemented using a series of bespoke segregated accounts and pooled funds.
- The Trustee recognises that market movements will naturally result in the Plan’s asset allocation differing over time from that specified.
- The Trustee has in place a rebalancing policy, which will be assessed monthly and executed by the Strategic Investment Advisor on an as-needed basis.

The table below shows the Trustee’s expected long-term strategic return (net of fees and including returns from active management) in excess of that which could be achieved if the Plan invested solely in a portfolio of long dated Gilts. It is recognised that performance may deviate from the long-term expectation, particularly over the short term.

Target Return	Gilts + 31 bps p.a.
Target Funded Status Volatility	80bps p.a.

Risk and Return Assumptions

Asset Class	Excess Return above Liability matched Gilts	Volatility
Gilts	-0.05%	11.2%
Hedged Equity	4.73%	10.5%
Swap overlay	0.0%	11.2%

5.2 DC Section investment strategy

There are two different categorisations of DC members; those without a DB guarantee (referred to as “pure DC members”) and those with the DB guarantee (referred to as “DB guarantee members”).

5.2.1 Pure DC members

The Trustee has made available a range of investment funds for these members. Each member is responsible for specifying one or more funds for the investment of their account, having

regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default option, which is managed as a “lifestyle” strategy.

The default option was designed to be in the best interests of most of the members based on the demographics of the Plan’s membership. The default option targets drawdown at retirement, since the Trustee believes that most members will wish to take their benefits in this form. Therefore, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 15 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking drawdown.

The Trustee has also made two alternative lifestyle strategies available; one targeting cash withdrawal and the other targeting annuity purchase at retirement. All lifestyle strategies are implemented via a range of target date funds.

The Trustee will monitor the relevant members’ behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.

5.2.2 DB guarantee members

These DC members are not given an investment choice because they have the option of the DB guarantee. The DC funds of these members are entirely invested in the drawdown lifestyle strategy. The Trustee believes that this is an appropriate investment strategy if the member takes DC benefits. The option of the DB guarantee is accounted for in the Plan’s DB liabilities and poses limited risk to the Plan if exercised.

5.2.3 All DC members

In determining the investment arrangements for the JDE UK Legacy DC Section the Trustee considered:

- the best interests of members and beneficiaries;
- the profile of the membership and likely choices by members upon retirement;
- the risks, rewards and suitability of a number of possible asset classes and lifestyle strategies and whether the return expected for taking any given investment risk is considered sufficient for the risk being taken;
- the need for appropriate diversification within the default strategy and other lifestyle options to ensure that, for each such option, both the overall level of investment risk and the balance of individual asset risks are appropriate;
- the need for appropriate diversification within the other investment options offered to members.

6. Day-to-day management of the assets

The Trustee delegates the day-to-day management of the assets to a number of investment managers. The Trustee takes steps to satisfy itself that the investment managers have the appropriate knowledge and experience for managing the Plan's investments and that they are carrying out their work competently.

The Trustee determines, based on expert advice, a benchmark mix of asset types and ranges within which each of its appointed investment managers may operate.

The Trustee, following advice from its Strategic Investment Advisor, regularly reviews the continuing suitability of the Plan's investments, including the investment managers, and the balance between active and passive management, which may be adjusted from time to time.

For the Plan's DB assets, any such adjustments are made with the aim of ensuring the overall level of risk is consistent with an expected funded status volatility of 80 bps p.a. as set out in section 5.1.

For the Plan's DC assets, any such adjustments are made with the aim of ensuring the default arrangement continues to meet its investment objectives.

7. Additional assets

The Plan closed to future service accrual on 30 June 2021 and stopped receiving contributions from members. Prior to 30 June 2021, the Trustee made available to active members a number of investment options with Legal & General for the investment of AVCs. Members had a choice of up to six funds. Four of these are passively managed (i.e. index-tracking) funds, which are invested in the following asset classes:

- Global Equities
- UK Equities
- Index-Linked Bonds
- Fixed-Interest Bonds

In addition, members could invest in the following two actively managed funds:

- Cash
- With-profit

Members who had invested in certain other AVC arrangements prior to the launch of the Plan were permitted to continue to invest in those arrangements, subject to the approval of the Trustee.

The only other Plan assets relate to un-invested cash, maintained for the day-to-day management of the Plan. Most of this cash is managed by NT. The remainder is held in a Trustee bank account.

8. Realisation of investments

8.1 DB Section investments

The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

The Strategic Investment Advisor and Trustee monitor the allocation between the investment managers and between asset classes and the Strategic Investment Advisor rebalances the portfolio according to the rebalancing policy.

8.2 DC Section investments

For the JDE UK Legacy DC Section, the Trustee's policy is to invest in funds that offer daily dealing to enable members readily to realise and change their investments.

9. ESG

The Trustee has considered how ESG factors should be reflected in the investment process. The Trustee will in all circumstances act in accordance with its fiduciary responsibilities and in the best financial interests of the beneficiaries and, where this primary consideration is not prejudiced and as appropriate, requires investment managers to take account of what they believe to be relevant ESG factors.

For those assets of the Plan invested in pooled arrangements, the Trustee accepts that the assets are subject to the investment managers' own ESG policies. The Trustee reviews the policies of each pooled fund in which the Plan invests. An annual ESG questionnaire is sent to each investment manager by the Strategic Investment Advisor and is used by the Trustee to monitor the investment managers consideration of ESG and stewardship issues.

10. Stewardship and engagement policy

The Trustee has examined how rights, including voting rights, attached to investments should be exercised. In doing so, the Trustee has considered the UK Stewardship Code (the "Code") issued by the Financial Reporting Council ("FRC").

The Trustee wishes to encourage best practice in terms of activism. It therefore requires its investment managers to discharge their responsibilities in respect of companies in which they invest in accordance with the Code drawn up by the FRC. The Trustee examines each of its investment manager's policies in this respect and requires its investment managers to report on any voting.

The Trustee requests its investment managers to be active owners and to exercise the rights attaching to its investments and to engage with debt and equity issuers and other relevant persons on relevant matters. Such matters include performance, strategy, capital structure, management

of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Trustee cannot usually directly influence the investment manager's policies on the exercise of investment rights where the Trustee holds assets in pooled funds. The Trustee accepts that by using pooled investment vehicles for its equity investments the day-to-day application of voting rights will be carried out by the investment managers of the pooled fund. The Trustee reviews the voting policies of each pooled fund.

The investment managers are reviewed annually by the Trustee and the Strategic Investment Advisor on their stewardship and engagement activities. If an investment manager is found to be falling short of the standards that the Trustee expects, the Trustee will engage with the investment manager and seek to agree a more acceptable approach.

11. Non-financial matters

The Trustee does not consider the views of beneficiaries, such as (but not limited to) ethical views, and views in relation to social and environmental impact and present and future quality of life of the beneficiaries.

12. Arrangements with investment managers

The Trustee takes the following considerations into account when selecting and monitoring the performance of investment managers. Where an investment manager is considered to be making decisions that are not consistent with the Trustee's policies or expectations, the Trustee will engage with the investment manager and may replace the investment manager.

12.1 Incentivising investment managers to align their investment strategy and decisions with the Trustee's investment policies

Each investment manager is chosen for a targeted asset class or market exposure within the Plan's investment strategy.

Investment and risk guidelines are set for each investment manager, including prescribed benchmarks and tracking error limits, and help govern their investment mandates. This limits the deviation from the Plan's investment policy objectives in relation to the kinds of investments held, the balance between different kinds of investments, risks, including the ways in which risks are measured and managed, the expected return on investments, the realisation of investments, and financially material considerations.

The Plan invests with multiple investment managers for the implementation of the Plan's investment strategy, which provides additional mitigation of any single manager being misaligned.

12.2 Incentivising investment managers to base their decisions on assessments of the medium to long-term financial performance of an issuer of debt or equity, and to engage with those issuers to improve their medium to long-term performance

The Strategic Investment Advisor conducts formal reviews of each investment manager no less frequently than annually to ensure its investment approach is robust, long-term focussed and

sustainable. The Trustee informs each investment manager of the Trustee's stewardship and engagement policy when they are first appointed and provides updates to them as required.

12.3 Method and timescale for evaluating that investment managers' performance and fees align with the Trustee's investment policies

Performance is monitored against the investment mandate, risk guidelines and benchmarks set and reported to the Trustee net of fees and on a regular basis. The Strategic Investment Advisor conducts a detailed assessment of each investment manager's performance and other factors no less frequently than annually. Each investment manager's fees and charges are monitored regularly in the context of the Strategic Investment Advisor's ongoing market evaluation of the price of fund management services. The Trustee understands the importance of assessing performance over longer time periods. Investment managers' fees are reported to the Trustee regularly.

12.4 Monitoring turnover costs incurred by investment managers and how the Trustee defines and monitors targeted portfolio turnover

The Strategic Investment Advisor monitors portfolio turnover and the costs of portfolio turnover no less frequently than annually. Where relevant for a particular asset class or manager style, as part of their regular investment manager review process, the Strategic Investment Advisor monitors the levels of portfolio turnover and associated costs, and reports to the Trustee. The Trustee does not have specific ranges for portfolio turnover and their associated costs but requires the Strategic Investment Advisor to highlight if these costs appear unreasonable.

For the JDE UK Legacy DC Section, the Trustee collects information on costs and charges on an annual basis, where available, and sets these out in the Plan's annual DC Governance statement, which is made available to members in a publicly accessible location.

12.5 The length of arrangements with investment managers.

There is no policy on the length of arrangements with investment managers.

A range of factors are considered when assessing an investment manager, including: people, process, performance, price and fit within the investment strategy. The length of the arrangement with an investment manager is not deemed a relevant factor in evaluating whether an investment manager can achieve the objectives required by the investment strategy of the Trustee.

13. Compliance with this Statement

The Trustee monitors compliance with this Statement annually and obtains written confirmation from the investment managers that they have managed the Plan's assets in accordance with the mandates given to them. The Trustee also produces an annual "Implementation Statement" in the Plan's annual report, detailing the extent to which this Statement has been followed.

14. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay when there is a significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone whom the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments. In compliance with regulation and legislation, the Company is consulted on any proposed changes to this Statement.

The regular triennial review of this Statement will coincide with the actuarial valuation. Any such review will again be based on expert investment advice and will be carried out in consultation with the Company.

Trustee Director: Russell Bailey

Date:

Trustee Director: Roger Broadberry

Date:

On behalf of Jacobs Douwe Egberts UK Pension Trustee Limited as the Trustee of the Jacobs Douwe Egberts UK Pension Plan

Director: Dave Jones

Date:

Director: Daniel Bethell

Date:

On behalf of the Principal Employer

Appendix A

Responsibilities

The Trustee believes that decisions should be taken and monitored by individuals and organisations with the necessary skills, knowledge and resources.

The Trustee has decided therefore on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustee's understanding of the various legal requirements placed upon it, their own level of expertise and resource and their view that this division allows for efficient operation of the Plan overall, with access to an appropriate level of expert advice and service.

The Trustee has put in place a business plan and reviews progress against it on a regular basis.

1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- Reviewing the investment policy following the results of each valuation, and / or after any review of investment strategy (e.g. an asset liability modelling study);
- Monitoring the decisions of the Investment & Funding Committee;
- Appointing (and, when necessary, dismissing) the Plan Actuary and Strategic Investment Advisor;
- Formulating a policy on socially responsible investment issues and voting rights;
- Reviewing the content of the Statement from time to time and modifying it if deemed appropriate; and
- Consulting with the Company when reviewing the Statement.

2. Strategic Investment Advisor

In broad terms, the Strategic Investment Advisor is responsible for:

- Advising on the types of investments the Plan will hold, the balance between different kinds of investments, risks (including the ways in which risks are to be measured and managed), the expected return on investments, and the realisation of investments;
- Implementing the investment strategy through the selection, and review, of the investment managers;
- Advising on a suitable fund range and default strategy for the JDE UK Legacy DC Section, and on the impact of material changes to legislation or the Plan's benefits or membership;
- Providing the Trustee with regular information concerning the management and performance of the Plan assets; and
- Participating with the Trustee in the review of the Statement.

3. Investment managers

In broad terms, the investment managers are responsible for:

- Managing their respective portfolios, within the agreed guidelines;
- Having regard to the provisions of Section 36 of the Act and the Regulations insofar as it is necessary to do so.

4. Plan Actuary

In broad terms, the Plan Actuary is responsible (as requested by the Trustee) for:

- Advising on any material changes to Plan's benefits or membership and advising on how the funding position may be affected by the manner in which assets are invested and the asset allocation policy.

Appendix B

Default strategy specific Statement of Investment Principles

1. Introduction

This statement sets out the principles and objectives governing decisions about investments under the default strategy of the defined contribution benefits provided for members in the JDE UK Legacy Section of the Jacobs Douwe Egberts UK Pension Plan (“the Plan”). These defined contribution benefits are referred to as the JDE UK Legacy DC Section in this statement. This statement has been prepared in accordance with section 35 of the Pensions Act 1995 (the “Act”), and subsequent legislation. The Trustee will review this statement and the JDE UK Legacy DC Section’s default strategy from time to time and in any event at least every three years and without delay after any significant change in investment policy.

In accordance with the requirements of the Act, the Trustee has, before adopting this statement, consulted the Principal Employer, D.E Holding UK Limited, on the terms of this statement.

The Trustee is responsible for the default strategy of the JDE UK Legacy DC Section. The Trustee has obtained written advice on the default strategy appropriate for the JDE UK Legacy DC Section and on the preparation of this statement. This advice was provided by SECOR Investment Advisors (UK), LLP (the "Strategic Investment Advisor") who are authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the JDE UK Legacy DC Section’s assets has been delegated to investment managers who are appropriately authorised and regulated as required under the Financial Services and Markets Act 2000 (amended by the Financial Services Act 2012). A copy of this statement is available to the investment managers appointed and to the members of the JDE UK Legacy DC Section.

The aims and objectives of the Trustee in respect of the default strategy and the various policies including on stewardship, engagement and incentivisation, are intended to ensure that the JDE UK Legacy DC Section’s assets are invested in the best financial interests of the beneficiaries. The default strategy is designed to take a suitably controlled amount of risk to generate investment returns in order to provide a reasonable level of retirement benefits for members who have not made an investment choice, taking into account the performance of asset markets and the level of contributions paid over a member’s lifetime into the JDE UK Legacy DC Section. Investment manager incentivisation policies are set so that investment managers make investment decisions that are in the best financial interests of members, with due regard to their investment and risk guidelines and any associated portfolio turnover costs.

2. Investment objectives

The Trustee’s main investment objectives are:

- To provide a default investment option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions;
- To provide a default investment option the objective of which is to generate returns significantly above inflation whilst members are some years from retirement, but then to switch automatically and gradually to lower risk investments as members near retirement;
- To achieve good member outcomes net of fees and subject to acceptable levels of risk;
- To control volatility and risk in the value of the funds of each member through appropriate asset diversification; and
- To help manage the risk of a sharp deterioration of financial conditions just prior to retirement impacting the level of benefits provided.

3. Default options

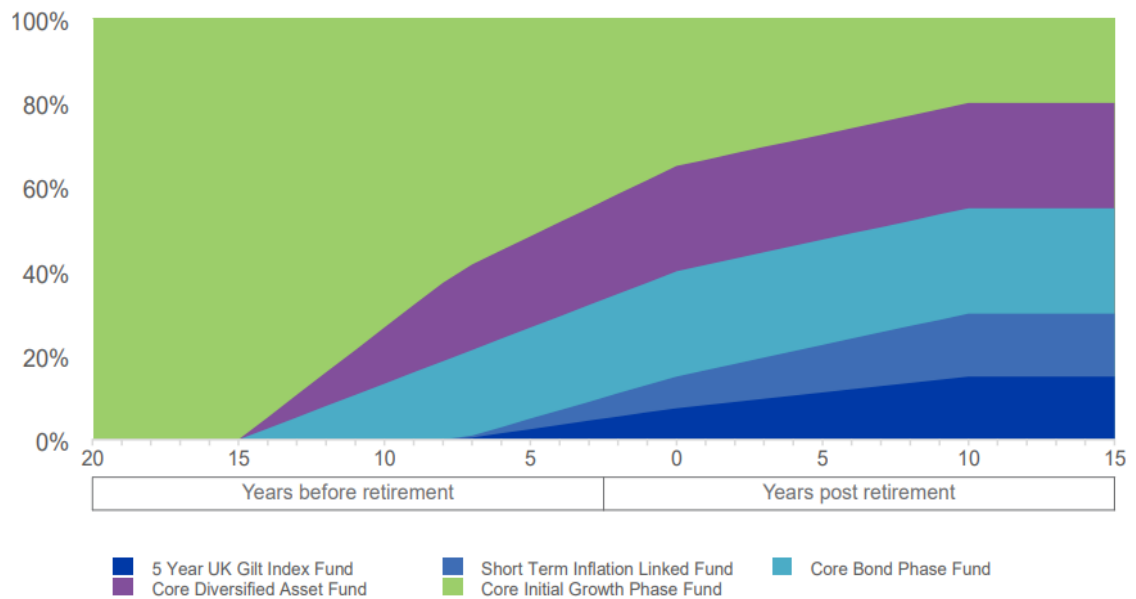
There are two different categorisations of DC members; those without a DB guarantee (referred to as “pure DC members”) and those with the DB guarantee (referred to as “DB guarantee members”). The Trustee has decided that the default arrangements summarised below are suitable for members who do not make a choice about how their savings are invested, taking into account:

- Kinds of investments to be held;
- Balance between different kinds of investments;
- Investment risks;
- Expected return on investments net of fees;
- Realisation of investments; and
- Socially Responsible Investment, Corporate Governance and Voting Rights.

3.1 Pure DC members

If a member does not choose an investment option, their account will be invested into the default option, which is managed as a “lifestyle” strategy (i.e. it automatically combines investments in proportions that vary according to the time to target retirement age). The default option targets drawdown at retirement, since the Trustee believes that most members will wish to take their benefits in this form. Therefore, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 15 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking drawdown.

Whilst outside the 15-year period to retirement the strategy is 100% invested in global equities. The strategy starts to de-risk in the 15-year period before retirement, investing in a diversified mix of assets that mostly consists of fixed income investments.



The default option was designed to be in the best interests of the majority of the members based on the demographics of the Plan’s membership.

3.2 DB guarantee members

These DC members are not given an investment choice because they have the option of the DB guarantee. The DC funds of these members are entirely invested in the drawdown lifestyle strategy. The Trustee believes that this is an appropriate investment strategy if the member takes DC benefits. The option of the DB guarantee is accounted for in the Plan’s DB liabilities and poses limited risk to the Plan if exercised.

4. ESG

The Trustee believes that environmental, social and corporate governance (“ESG”) issues can affect the performance of investment portfolios and should be taken into account as part of the Plan’s investment process.

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers (with certain guidelines and restrictions). An annual ESG questionnaire is sent to each investment manager by the Strategic Investment Advisor and is used by the Trustee to monitor the investment managers consideration of ESG and stewardship issues.

The Trustee’s guideline is that, the extent to which social, environmental or ethical considerations are taken into account in their decisions, is left to the discretion of the manager.

The Trustee does not consider the views of beneficiaries, such as (but not limited to) ethical views, and views in relation to social and environmental impact and present and future quality of life of the beneficiaries.

5. Stewardship and engagement policy

The Trustee has examined how rights, including voting rights, attached to investments should be exercised. In doing so, the Trustee has considered the UK Stewardship Code (the “Code”) issued by the Financial Reporting Council (“FRC”).

The Trustee wishes to encourage best practice in terms of activism. It therefore requires its investment managers to discharge their responsibilities in respect of companies in which they invest in accordance with the Code drawn up by the FRC. The Trustee examines each of its investment manager’s policies in this respect and requires its investment managers to report on any voting.

The Trustee requests its investment managers to be active owners and to exercise the rights attaching to its investments and to engage with debt and equity issuers and other relevant persons on relevant matters. Such matters include performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Trustee cannot usually directly influence the investment manager’s policies on the exercise of investment rights where the Trustee holds assets in pooled funds. The Trustee accepts that by using pooled investment vehicles for its equity investments the day-to-day application of voting rights will be carried out by the investment managers of the pooled fund. The Trustee reviews the voting policies of each pooled fund.

The investment managers are reviewed annually by the Trustee and the Strategic Investment Advisor on their stewardship and engagement activities. If an investment manager is found to be falling short of the standards that the Trustee expects, the Trustee will engage with the investment manager and seek to agree a more acceptable approach.

6. Arrangements with investment managers

The Trustee takes the following considerations into account when selecting and monitoring the performance of investment managers. Where an investment manager is considered to be making decisions that are not consistent with the Trustee's policies or expectations the Trustee will engage with the investment manager and may replace the investment manager.

6.1 Incentivising investment managers to align their investment strategy and decisions with the Trustee's investment policies

Investment and risk guidelines are set for each investment manager, including prescribed benchmarks and tracking error limits, and help govern their investment mandates. This limits the deviation from the Plan’s investment policy objectives in relation to the kinds of investments held, the balance between different kinds of investments, risks, including the

ways in which risks are measured and managed, the expected return on investments, the realisation of investments, and financially material considerations.

The default strategy uses mostly passive managers to invest with multiple investment managers for the implementation of the default strategy, which provides additional mitigation of any single manager being misaligned.

6.2 Incentivising investment managers to base their decisions on assessments of the medium to long-term financial performance of an issuer of debt or equity, and to engage with those issuers to improve their medium to long-term performance

The Strategic Investment Advisor conducts formal reviews of each investment manager no less frequently than annually to ensure that their investment approach is robust, long-term focussed and sustainable. The Trustee informs each investment manager of the Trustee's stewardship and engagement policy when they are first appointed and provides updates to them as required.

6.3 Method and timescale for evaluating that investment managers' performance and fees align with the Trustee's investment policies

Performance is monitored against the investment mandate, risk guidelines and benchmarks set and reported to the Trustee net of fees and on a regular basis. The Strategic Investment Advisor conducts a detailed assessment of each investment manager's performance and other factors no less frequently than annually. Each investment manager's fees and charges are monitored regularly in the context of the Strategic Investment Advisor's ongoing market evaluation of the price of fund management services. The Trustee understands the importance of assessing performance over longer time periods. Investment managers' fees are reported to the Trustee regularly.

6.4 Monitoring turnover costs incurred by investment managers and how the Trustee defines and monitors targeted portfolio turnover

The Strategic Investment Advisor monitors portfolio turnover and the costs of portfolio turnover no less frequently than annually. Where relevant for a particular asset class or manager style, as part of their regular investment manager review process, the Strategic Investment Advisor monitors the levels of portfolio turnover and associated costs, and reports to the Trustee. The Trustee does not have specific ranges for portfolio turnover and associated costs but requires the Strategic Investment Advisor to highlight if these costs appear unreasonable.

The Trustee collects information on costs and charges on an annual basis, where available, and sets these out in the Plan's annual DC Governance statement, which is made available to members in a publicly accessible location.

6.5 The length of arrangements with investment managers.

There is no policy on the length of arrangements with investment managers.

A range of factors are considered when assessing an investment manager, including: people, process, performance, price and fit within the investment strategy. The length of the arrangement with an investment manager is not deemed a relevant factor in evaluating whether an investment manager can achieve the objectives required by the investment strategy of the Trustee.