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JACOBS DOUWE EGBERTS UK PENSION PLAN
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2020

Scheme Registration Number: 10260112

Contents

Trustee, Principal Employer, Participating Employers and Advisers

Trustee

Jacobs Douwe Egberts UK Pension Trustee Limited

Company-nominated Trustee Directors

Russell Bailey - Chairman	(resigned as a Member-nominated Trustee Director and became a Company-nominated Trustee Director on 1 April 2019)
Daniel Bethell	(appointed 1 January 2018)
Justin Cook - Chairman	(appointed 20 November 2015, resigned 1 April 2019)
Erwin Hessing	(appointed 20 November 2015)
David Jones	(appointed 1 January 2018)

Member-nominated Trustee Directors

Roger Broadberry	(appointed 10 December 2007)
Stephen Silvester	(appointed 1 November 2019)

Plan Manager & Secretary to the Trustee

Maureen Cronin (appointed 1 July 2017)

Principal Employer

D.E Holding UK Limited

Participating Employers

Courtaulds Textiles (Holdings) Limited
Jacobs Douwe Egberts GB Ltd
Jacobs Douwe Egberts Ops GB Ltd
Jacobs Douwe Egberts R&D GB Ltd

Plan Actuary

Chris Sheppard, FIA
Mercer Limited

Independent Auditor

Crowe U.K. LLP

Administrator

Mercer Limited

Benefit Consultant

Mercer Limited

Investment Managers

Ardevora Asset Management LLP
Arrowstreet Capital LP
Invesco Asset Managers Limited
Legal & General Investment Management Limited
Los Angeles Capital Management and Equity Research Inc
M&G Investment Management Limited
Marathon Asset Management LP
SECOR Investment Management LP
State Street Global Advisors

Investment Custodian

The Northern Trust Company

Investment Advisers

SECOR Investment Advisors (UK), LLP

Additional Voluntary Contribution (AVC) Providers

Aviva
Legal & General Assurance (Pensions Management) Limited
Prudential
Utmost Life and Pensions (Equitable Life transferred their business to Utmost on 1 January 2020)

Life Assurance Company

MetLife

Banks

HSBC Bank plc (from 4 June 2018)
National Westminster Bank plc (terminated 26 April 2019)

Legal Advisers

ARC Pensions Law LLP
Bryan Cave Leighton Paisner LLP
Gateley plc

Company Secretarial Services

Throgmorton Secretaries LLP

Covenant Adviser

Penfida Partners LLP

Contact for further information and enquiries about the Plan

Mercer Limited
Westgate House
52 Westgate
Chichester
West Sussex
PO19 3HF
Email: de.mail@mercer.com

Introduction

The Trustee of the Jacobs Douwe Egberts UK Pension Plan (the Plan) is pleased to present its report together with the audited financial statements for the year ended 31 March 2020. The Plan is a hybrid scheme, comprising a Defined Benefit Section and a Defined Contribution Section.

Constitution

The Plan was established under a Trust Deed dated 1 January 2002 and subsequent amendments.

The Defined Benefit Section of the Plan was desegregated into a single arrangement in September 2016. The former ring-fenced sections (Courtaulds, Household and Body Care (H&BC), Pretty Polly, Douwe Egberts Coffee Systems (DECS) and the 2002 Section) now exist as separate member benefit categories. The Defined Benefit assets and liabilities of the JDE UK Legacy Retirements Plan merged into the Plan on 16 November 2018 as a separate member benefit category (JDE Legacy).

For the Defined Contribution Section, the Defined Contribution assets and liabilities of the JDE UK Legacy Retirement Benefits Plan were merged into the D.E UK Pension Plan on 30 November 2018.

In October 2018 the D.E UK Pension Plan changed its name to Jacobs Douwe Egberts UK Pension Plan and on 9 October 2018 the Trustee changed its name from D.E Pension Trustee UK Limited to Jacobs Douwe Egberts UK Pension Trustee Limited.

The Plan is closed to new entrants but open to future accrual to active members.

Management of the Plan

Trustee

The Trustee Board is comprised of six Trustee Directors, four of whom including the Chairman are nominated by the Principal Employer, D.E Holding UK Limited, and two of whom are nominated by the members of the Plan (MND) in accordance with the Occupational Pension Schemes (Member nominated Trustees and Directors) Regulations 2006.

A MND may be removed before the end of the agreed period of appointment only with the agreement of all the remaining Trustee Directors and the appointment will also terminate if a MND ceases to be a member of the Plan.

In accordance with the Trust Deed, the Principal Employer, has the power to appoint and remove the Trustee of the Plan. The Directors of Jacobs Douwe Egberts UK Pension Trustee Limited are appointed and removed in accordance with the Trustee Company's Articles of Association.

On 1 April 2019 Russell Bailey, one of the two MND's, resigned and was immediately nominated by the Company as a Trustee Director and appointed Chairman of the Trustee. During the year, Stephen Silvester was duly nominated by members and appointed as a MND.

The Trustee Board meets at least quarterly and its duly constituted Investment and Funding Committee (IFC) meets at least monthly.

Statement of Trustee's Responsibilities

The Statement of Trustee's Responsibilities is set out on page 28 and forms part of this Trustee's Report.

Governance and risk management

The Trustee focuses on appropriate risk management. The risk register has been fully reviewed in order to identify the key risks to the Plan. The Plan’s risk register is split into investment related risks and administrative and governance risks. The Trustee has scored these risks and reviewed the mitigating controls. The risk register continues to be reviewed and updated regularly by the Trustee as part of on-going governance.

In addition the Investment Advisers and the Administrator each maintain their own risk registers to manage their on-going processes for the Plan, which they share with the IFC. Administration reviews continue to take place quarterly between Mercer and the Plan Manager, with executive summaries shared with the Trustee at the Trustee Board meetings. Member cases requiring Trustee discretion are considered at the Trustee Board meetings prior to ratification by the Trustee Board. Governance items are covered in the Trustee Board meetings.

Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Plan documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006 and which was revised and reissued in November 2009. All Trustee Directors have completed all required training modules to ensure that the Trustee has met these requirements. On-going training needs are annually assessed, identified and remedied.

Principal and Participating Employers

The Plan is provided for all eligible employees and previous employees of the Principal and Participating Employers. The Principal Employer's registered address is D.E Holding UK Limited, Horizon, Honey Lane, Hurley, Maidenhead, SL6 6RJ.

The Plan is closed to new entrants. The Principal and Participating Employers are noted on page 1.

Active members of the Plan were employed during the year by Jacobs Douwe Egberts GB Ltd, Jacob Douwe Egberts Ops GB Ltd and Jacob Douwe Egberts R&D GB Ltd.

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits.

The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and will be considering this at a future meeting and decisions will be made as to the next steps.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore has not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Financial development

The financial statements on pages 31 to 48 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund decreased from £1,691,121,000 at 31 March 2019 to £1,681,736,000 at 31 March 2020.

The decrease shown above comprised net withdrawals from dealings with members of £56,434,000 together with net returns on investments of £47,049,000.

Contributions

During the year, contributions to meet the cost of future accrual were payable in accordance with the Schedule of Contributions certified by the Actuary on 24 September 2018. The Principal Employer pays contributions for active (employed) members to meet future benefit accrual of 52.5% of Pensionable Salaries for the DECS benefit category, 59.1% of Pensionable Salaries for the 2002 benefit category, 57.5% of Pensionable Salaries for the H&BC benefit category and 42.1% of Pensionable Salaries for the JDE Legacy benefit category.

There were late Defined Benefit Section Employer contributions amounting to £600,817 relating to the period between 1 April 2019 and 31 March 2020. £60,683 was paid on 22 May 2020 and £540,134 was paid on 18 September 2020. This was due to the incorrect calculation of Pensionable Salaries used to calculate Employer contributions by the payroll provider. In order to avoid a recurrence of this situation, the Principal Employer has taken over responsibility for the calculation and communication of Pensionable Salaries from the payroll provider and has implemented a new monthly report to confirm that the contribution payment is accurate.

The Principal Employer also reimburses the Trustee for any reasonable expenses incurred by the Trustee in the management of the Plan and for the full cost of the PPF levies payable in respect of the Plan. The Principal Employer pays the administrative and governance costs in relation to the running of the Plan, with the Plan meeting all investment related fees. The investment related costs are taken into account in determining investment return.

Costs associated with the liability mitigation exercise initiated during the prior year were met by the Plan.

Report on actuarial liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions are the present value of the benefits of members based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Principal and Participating Employers and set out in the Statement of Funding Principles, which is available to Plan members on request.

The most recent full actuarial valuation of the Plan was carried out as at 1 April 2018. Updated valuations were performed on 1 April 2019 and 1 April 2020. These showed:

	1 April 2018	**1 April 2019**	**1 April 2020**
	£	**£**	**£**
The value of Technical Provisions was	1,449.2m	1,566.8m	1,609.5m
The value of assets was	1,608.7m	1,673.4m	1,666.4m
The surplus was	159.5m	106.6m	56.9m

The actuarial valuation of the Plan with an effective date of 1 April 2018 was completed in September 2018.

Method: The actuarial method to be used in the calculation of the technical provisions is the Projected Unit method.

Assumptions :

	1 April 2018	1 April 2019	1 April 2020
Investment return pre-retirement	2.11% p.a.	1.95% p.a.	1.25% p.a.
Investment return post-retirement	2.11% p.a.	1.95% p.a.	1.25% p.a.
Price inflation - Retail Price Index	3.33% p.a.	3.45% p.a.	2.84% p.a.
Price inflation - Consumer Price Index	2.43% p.a.	2.55% p.a.	1.94% p.a.
Salary increases	3.43% p.a.	3.55% p.a.	2.94% p.a.
Pensions in payment (5% LPI)	3.26% p.a. (RPI based) 2.44% p.a. (CPI based)	3.36% p.a. 2.55% p.a.	2.74% p.a. 1.94% p.a.
Mortality - base table	S2PA year of birth adjusted by +0.3 years	S2PA year of birth adjusted by +0.3 years	S2PA year of birth adjusted by +0.3 years
Mortality - future improvements	CMI 2017 projections 1.5% p.a. long term rate of improvements	CMI 2017 projections 1.5% p.a. long term rate of improvements	CMI 2017 projections 1.5% p.a. long term rate of improvements
Longevity reserve	3% of liability value	3% of liability value	3% of liability value

Report on actuarial liabilities - continued

The derivation of these key assumptions and an explanation of the other assumptions to be used in the calculations of the technical provisions are set out below:

Pre and post retirement investment returns	An estimate of the yield available on a notional portfolio of UK Government conventional gilt stocks whose cash flows approximately match the Plan's estimated benefit cashflows plus an additional 0.5% per annum to reflect the allowance the Trustee has agreed for additional investment returns.
RPI price inflation	The assumption for the rate of increase in the Retail Price Index (RPI) will be taken to be the investment market's expectation for inflation as indicated by the difference between an estimate of the yields available on notional portfolios of conventional and index linked UK Government bonds whose cashflows approximately match the Plan's estimated benefit cash flows.
CPI price inflation	The assumption for the rate of increase in the Consumer Price Index (CPI) will be derived from the RPI inflation assumption with an appropriate adjustment to recognise the difference between expectations of future RPI increases and future CPI increases. The adjustment will be 0.9% per annum or such amount as the Trustee and the Principal Employer may agree and will be reviewed at each valuation; as at the 1 April 2018 valuation the adjustment was a deduction of 0.9% per annum.
Salary increases	The assumption for real salary increases (salary increases in excess of increases in the CPI) will be determined after consulting Jacobs Douwe Egberts GB Ltd. At the 1 April 2018 valuation the Trustee will use an assumption of 1% per annum. No additional allowance has been made for promotional increases.
Pension increases in payment	Increases to pensions where increases are in line with Limited Price Indexation (LPI) are assumed to be in line with the appropriate RPI or CPI inflation assumption described above, adjusted to reflect the impact of the cap on increases in each year.
Members mortality	Reflects latest available and relevant data on likely future mortality rates.

The actuarial certificate in relation to the Plan is shown on page 51 of the Annual Report.

The next full actuarial valuation will be as at 1 April 2021.

COVID - 19

From the start of the pandemic the Trustee has acted in accordance with the guidance issued by the Pensions Regulator (tPR):

- Independent financial advice has confirmed that the Principal Employer continues to be in a strong position to support the Plan;
- Employer's contributions to the Plan have been maintained;
- The funding level of the Plan has been monitored regularly by the IFC and the Trustee Board;
- The Administrator has given priority to paying death benefits, pension payroll, retirement quotes, settlements and transfers out always ensuring that members have taken the necessary advice;
- Throughout the COVID-19 crisis the Trustee Directors continued to hold all their usual Trustee Board, IFC and working group meetings through electronic virtual systems. The Trustee Directors have also been able to access all necessary information and consult in normal course with their advisers; and
- Several Trustee Directors completed continuous development training before lockdown and any further training will be carried out on-line.

The effectiveness of the Trustee in fulfilling all its responsibilities for the stewardship of the Plan has not been in any material way adversely affected by the COVID-19 outbreak.

Membership

The membership movements of the Plan for the year are given below:

	Actives	Deferreds	Pensioners	Total
At 1 April 2019	356	4,654	7,776	12,786
Retirements	(27)	(211)	238	-
Leavers with deferred benefits	(15)	15	-	-
Deaths	-	(6)	(245)	(251)
Transfers out	-	(49)	-	(49)
Spouses and dependants	-	-	94	94
Pensions commuted for cash	-	-	(30)	(30)
Pensions ceasing	-	-	(5)	(5)
At 31 March 2020	314	4,403	7,828	12,545

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

Pensioners include 993 *(2019: 952)* spouses and dependants receiving a pension.

A small number of members previously had their benefits secured by the purchase of annuities in the name of the Plan. These members are not included in the membership statistics.

Members are not separately identified by section in the table above because some members of the Defined Benefit Section are also members of the Defined Contribution Section.

Pension increases

The pension increase date for all members is 1 April each year.

Pensions in payment are increased at the following rates for the following categories of members:

- Courtaulds members who left active service on or after 1 April 2002, all H&BC, DECS and 2002 members are based on RPI as at the previous September and were increased by 3.3% *(2019: 3.9%)* on 1 April 2019.
- Courtaulds members who left active service on or before 31 March 2002 are based on CPI as at the previous September and were increased by 2.4% *(2019: 1.0%)* on 1 April 2019 .
- Pretty Polly members are based on the higher of RPI as at the previous September or December. The pension increase for Pretty Polly effective from 1 April 2019 which was based on September RPI and was 3.3% *(2019: 4.1%)*.
- JDE Legacy members' pensions in payment were increased by 3.3% *(2019: 3.9%)* during the year for pensioners' benefits which accrued 'Post 1997' and prior to 5 April 2005, and increased by 2.5% *(2019: 2.5%)* post 5 April 2005. The increase took effect from 1 April 2019. In line with the Government's order to implement the use of the CPI Index for increases applied to the Post 88 GMP, an increase of 2.4% *(2019: 3%)* was applied to the 'Post 88' GMP pension with effect from April 2019.

There were no discretionary increases paid during the year.

Calculation of transfer values

Transfer values paid during the year were calculated and verified as required by the Regulations made under Section 97 of the Pension Schemes Act 1993 and do not include discretionary benefits. None of the transfer values paid was less than the amount provided by the Regulations.

Over the Plan year, transfer values for all members have been quoted and calculated on a full cash equivalent basis.

Investment management

General

All investments have been managed during the year under review by the Investment Managers and AVC Providers as detailed in the Trustee, Principal Employer, Participating Employers and Advisers section on pages 1 and 2.

The investment strategy is set by the Trustee after taking appropriate advice and allocates target proportions of the investments to the principal market sectors. The day to day management of the Plan's asset portfolio, including full discretion for stock selection, is the responsibility of the Investment Managers.

A thorough review of investment strategy was conducted in 2016 which is reflected in the current Statement of Investment Principles (SIP) set out in Appendix 1.

The SIP has been published on a publicly available website as follows: https://www.jacobsdouweegberts.com/about-us/united-kingdom

The IFC has an overview of all investment and funding issues and reports to the Board.

Investment principles

The Trustee has produced a SIP in accordance with the Pensions Act 1995 and subsequent regulations. The purpose of the SIP is to record the investment arrangements, and the rationale behind them, adopted by the Trustee of the Plan. The SIP was last updated in September 2020 to better capture the Trustee's arrangements with managers and expand the range of engagement activities covered under the existing stewardship policy. It also produced an additional document containing more detail on the Plan's asset allocation (Investment Policy Statement), which was last amended in 2017.

As at 31 March 2020, the Trustee's objective when considering the investment strategy for the Plan is to maintain a full funding position on a Technical Provisions basis. Technical Provisions are calculated using a discount rate set at gilts + 0.5% p.a..

This valuation basis (using a gilts-based investment return assumption plus a target excess return over gilts of 50 to 75 basis points per annum net of fees over a full market cycle) is considered appropriate for the purposes of setting the Plan's investment strategy because this approach effectively "prices" the liability cash flows in a manner consistent with financial markets.

Responsible investment and corporate governance

The Trustee believes that good stewardship and environmental, social and governance (ESG) issues may have a material impact on investment returns. The Trustee has considered how social, environmental and ethical factors should be taken into account in the investment process. The Trustee considers that it is necessary in all circumstances to act in the best financial interests of the beneficiaries and, where this primary consideration is not prejudiced and as appropriate, requires the Investment Managers to take account of what the managers believe to be relevant social, environmental and ethical issues.

For those assets of the Plan invested in pooled arrangements, the Trustee accepts that the assets are subject to the Investment Managers' own policies on social, environmental and ethical investment. The Trustee has reviewed the policies of each pooled fund in which the Plan invests and is comfortable with the arrangements in place.

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. The Trustee therefore requires its investment managers to discharge their responsibilities in respect of companies in which they invest in accordance with the UK Stewardship Code drawn up by the Financial Reporting Council. The Trustee has examined each of their investment manager's policies in this respect and is satisfied each investment manager's policy meets their aim in this area. The Trustee requires its investment managers to report to them when they have voted. 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 funds. The Trustee has however reviewed the voting policies of each pooled fund and is comfortable with the arrangements in place.

The IFC has an overview of all investment and funding issues and reports to the Board.

Code of Best Practice

The principles set out in the Code of Best Practice are high level principles which aid trustees in their investment and governance decision making. While they are voluntary, pension scheme trustees are expected to consider their applicability to their own scheme and report on a 'comply or explain' basis how they have used them.

The principles emphasise the essentials of investment governance, notably the importance of effective decision making, clear investment objectives and a focus on the nature of each scheme's liabilities. The principles also require that trustees include a statement of the scheme's policy on responsible ownership in the SIP and report periodically to members on the discharge of these responsibilities.

The Trustee considers that its investment policies and their implementation are in keeping with these principles.

Risk Management

The Trustee's policy on risk management is as follows:

Liability Driven Investment

The primary risk upon which the Trustee focuses is that arising through a mismatch between the Plan's assets and its liabilities. The Plan manages this risk by investing in a Liability Driven Investment (LDI) programme. The aim is for the assets invested in this programme to move in line, over the long term, with the Plan’s liabilities of these Sections. A proportion of the LDI programme is invested in Investment Grade Credit. The aim of this allocation is to outperform the gilt based liability over the long term.

The Trustee recognises that where the Plan's Investment Managers use 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, are used within some of the liability hedging funds in which the Plan invests. 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/margining process to attempt to reduce the potential exposure to the default of a derivative counterparty. However, the Trustee recognises that it may not be possible to eliminate all counterparty risk from a derivative portfolio.

Portfolio Diversification

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. Due to the size of the Plan's assets and recognising the need to diversify, some investment exposure is obtained via pooled vehicles.

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.

Investment Management

The documents governing the Investment Manager appointments include a number of 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 has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustee meets monthly with the Plan's Investment Adviser and receives regular reports from all the Investment Managers and the Investment Adviser. 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).

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.

Defined Benefit Assets

The investment strategy was agreed in December 2016 and was fully implemented effective 1 March 2017. The investment strategy remains unchanged and is formally recognised in the SIP dated September 2020 which was updated to reflect regulatory changes.

Under the current investment strategy 90% of the Plan assets are invested in an LDI programme. The LDI programme is made up of a Buy and Maintain Credit portfolio managed by M&G, a UK Gilts portfolio managed by Legal & General and a swap based overlay managed by SECOR Investment Management. The objective of the LDI programme is to provide a return that closely matches the impact of changes in interest rate and inflation expectations on the Plan's liabilities. The Buy and Maintain Credit portfolio serves the dual purpose of hedging a portion of the interest rate sensitivity of the Plan's liabilities and contributing to the Plan's return objective above liability matched gilts. The UK Gilts portfolio is structured as a Qualifying Investment Fund (QIF). Details of the underlying assets of the QIF are disclosed in Note 16 of the Financial Statements. The Buy and Maintain Credit portfolio and the swap based overlay are held in segregated accounts in the Plan's name. The Buy and Maintain Credit portfolio, the UK Gilts portfolio and the swap based overlay are designated as 'Matching assets'.

The remaining 10% of Plan assets are invested in Global Equities. The Global Equity funds are designated as 'Growth assets' and are managed by Ardevora, Arrowstreet, LA Capital and Marathon.

The asset allocation as at 31 March 2020 is shown below against the strategic targets that have been agreed for the Plan.

	Global Equities	**Buy and Maintain Credit**	**UK Gilts Portfolio, Swap Based Overlay and Cash**
Actual Allocation *	9.8%	25.6%	64.6%
Strategic Targets	*10%*	*25%*	*65%*
Strategic Target Ranges	*5-15%*	*15-35%*	*50-80%*

* to one decimal place

SECOR Investment Advisors, in conjunction with the IFC monitors the Plan's asset allocation relative to strategic targets and adjusts where necessary. Deviations of the Actual Allocations versus the Strategic Targets were within the Trustee agreed Strategic Target Ranges. Whilst there is no explicit cash target, the Plan holds cash for day to day cash requirements.

Defined Contribution Assets

There are two types of members that have defined contribution benefits: Pure DC members and DC members with a Defined Benefit (DB) guarantee (DB guarantee members).

For the Pure DC members, the Trustee has made available a range of investment funds. 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 (i.e. it automatically combines investments in proportions that vary according to the time to target retirement age).

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. The default option targets drawdown at retirement, since the Trustee believes that most members will wish to take their benefits in this form. The Trustee has also made two alternative lifestyle strategies available; one targeting cash withdrawal and the other targeting annuity purchase at retirement. For all three lifestyle strategies outside the 10 year period to retirement the strategies are 100% invested in global equities. In the 10 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, cash or annuity purchases.

Details of the lifestyles are set out in the Plan's SIP.

DB guarantee members are not given an investment choice due to the underpin of the DB guarantee. Instead these members' DC pots are entirely invested in a diversified growth fund. The Trustee believes that this is an appropriate balance between providing a reasonable investment strategy in the event that the member takes DC benefits without passing too much extra risk to the Defined Benefit Section.

Review of Investment Performance to 31 March 2020

Defined Benefit Section

The table below shows the Defined Benefit Section investment returns achieved compared to the respective benchmark returns over the one and three year periods to 31 March 2020.

	1 Year Return (%)	1 Year Benchmark (%)	3 Year Return (% p.a.)	3 Year Benchmark (% p.a.)
Defined Benefit Section	2.8	2.6	3.2	3.2

For the year to 31 March 2020 the Plan outperformed its blended market-based benchmark by 0.2%, and over the three-year period performed in-line with its benchmark. The main driver of the outperformance over the year was the positive contribution from the M&G Credit portfolio as the fund's defensive positioning relative to its indicative custom index led to strong outperformance in March 2020 when spreads widened significantly. The Plan's Equity portfolio was also a positive contributor to excess returns due to the outperformance of Ardevora and LA Capital. The L&G Bond portfolio is a passive fund that tracks its benchmark and its performance was in line with expectations.

Analysis of return by Investment Manager for the year ended 31 March 2020

	1 Year Return (net of fees)	1 Year Benchmark	3 Year Return	3 Year Benchmark
	(%)	(%)	(%)	(%)
Ardevora Global Equity	0.1	-6.7	6.7	1.8
Arrowstreet Global Equity	-9.5	-8.3	1.5	1.0
LGIM Bonds	9.7	9.7	5.4	5.5
Los Angeles Capital Global Equity	-4.8	-6.7	2.6	1.8
M&G UK Credit	1.0	0.6	1.8	1.8
Marathon Global Equity	-10.1	-6.7	0.7	1.8

Equity manager performance was mixed over the past year, Ardevora and LA Capital strongly outperformed their benchmarks whilst Marathon and Arrowstreet finished the year behind. Ardevora benefited from stock selection throughout the year as well as pre-emptive defensive positioning ahead of the COVID-19 driven equity market sell-off in February and March. A higher exposure to quality stocks relative to its benchmark drove LA Capital's outperformance over the past year while a tilt towards value stocks hurt the performance of Marathon and Arrowstreet. M&G outperformed its indicative reference benchmark over the past year as a result of its defensive positioning as spreads on UK Corporate debt widened. Over the three-year period the Plan's Equity managers were ahead of their benchmarks, with Marathon the only exception. M&G and LGIM performed in-line with their benchmarks over the three-year period.

Defined Contribution Section

Analysis of return by Investment Manager for the year ended 31 March 2020

	1 Year Return [1]	1 Year Benchmark
Invesco Diversified Growth Fund	1.3	5.8
State Street All World Equity Index Fund	-6.3	-6.3
State Street International Equity Index Fund[2]	-14.4	-14.5
State Street Sterling Liquidity Index Fund	0.6	0.5
State Street UK Conventional Gilts Over 15 Years Fund	17.6	17.6
State Street UK Equity Index Fund[2]	-22.0	-22.0
State Street UK Index Linked Gilts Over 5 Years Fund	2.3	2.4

The State Street Equity and Fixed Income index funds performed largely in line with their benchmarks, Invesco underperformed by 4.5% over the past year, predominately due to poor performance of equity and credit positions within the fund during the first quarter of 2020.

1. Returns displayed are net of fees

2. Cumulative returns since inception date of 12 November 2019 displayed as one year return unavailable

Economic and Market Background for the Year Ended 31 March 2020

As 2020 began, the factors appeared to be in place for a modest pickup in global growth and some of the headwinds that slowed the pace of growth in 2019 appeared to be moderating. The global economy's principal supports in 2019: confident consumers and stimulative monetary and fiscal policies were expected to remain in place and trade tensions between the US and China had receded.

However, the outbreak of coronavirus, COVID-19, led to shutdowns in China's Hubei province in January and soon after a pandemic engulfed the world. The spread of the virus has had a significant negative impact on the global economy, as lockdowns and quarantines have suppressed supply and demand, and brought the 11-year global expansion to an abrupt halt. Markets reacted strongly, as equity and credit markets experienced precipitous sell offs in late February and March (global equities fell 30% from peak to trough). Policymakers have acted aggressively to preserve liquidity and counteract weakness in both the economy and financial conditions caused by the unprecedented actions being taken around the world to contain the virus. Equity and credit markets both rebounded off their lows towards the end of March. Bond yields fell over the year, as a demand for safe haven assets supported bond prices.

Economic and Market Background for the Year Ended 31 March 2020 - continued

The most recent economic data confirm that the global economy has plunged into a severe recession. China – the world's second largest economy – contracted 6.8% from a year ago in the first quarter of 2020. Policymakers are acting promptly and decisively to mitigate economic weakness and appear to be making progress in containing COVID-19. Against this background, our base case outlook calls for economic activity starting to recover in the second half of 2020 as shutdowns are relaxed. The return to work is likely to be gradual, however, and global economic activity may not reach its pre-recession level until the end of 2021 or beyond.

Equity market performance

Global equity markets experienced strong performance over most of the year, MSCI ACWI was up 11% in GBP terms from March 2019 to the end of December 2019. However, global equity markets sold-off heavily and volatility surged in the first quarter of 2020, more than reversing the gains to December 2019 to finish the year down 6.7%, as measured by MSCI ACWI.

January 2020 began on a positive note, trade tensions between the US and China had eased and global economic growth appeared to be stable. The COVID-19 virus began to be widely publicised in January, but the initial reaction was that it would be limited to China and would not have a significant impact on the global economy. This proved to be an overly optimistic point of view as the virus quickly spread internationally and investors began to appreciate the economic consequences, not only of the virus itself, but the strict lockdown measures enforced by governments worldwide. Global equity markets began their decline in late February and continued to sell-off strongly into late March. Investor sentiment turned in the final weeks of March as aggressive policy responses, both fiscal and monetary, from governments aimed at limiting the economic fallout from the virus reassured the market and led to global equites rallying into the end of the month.

Bond market performance

Over the year ending 31 March 2020 government bond yields have fallen sharply in the US, Eurozone and the UK.

Across the yield curve, UK government bond yields fell resulting in positive UK Gilt market performance. This performance was against a back-drop of increasing political uncertainty through the latter half of 2019, but predominately reflects the bold policy response from the Bank of England to the COVID-19 pandemic as well as a 'flight to safety' as investors repositioned away from more volatile assets into gilts.

Returns in UK investment grade corporate bond markets were significantly down over the year ended 31 March 2020. Credit spreads widened to levels not seen since the Global Financial Crisis as investors responded to the sudden and abrupt halt to economic activity as the UK government instituted lockdown measures in a bid to contain the spread of COVID-19.

Custodial arrangements

Defined Benefit Section assets

The Trustee has appointed Northern Trust as custodian of the Plan's segregated assets managed by the relevant investment managers, including the pooled investment vehicles held in the QIF. The custodian is responsible for the safekeeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Investments are held in the name of the custodian's nominee company, in line with common practice for pension scheme investments.

Assets held with Legal & General, Ardevora, Arrowstreet, LA Capital and Marathon are in pooled funds and the Plan does not directly own the underlying investments. For these assets, the Trustee gains a contractual right to the value of the units credited under the policy, or owns shares in a fund, although the managers own the underlying assets. The custodian is Bank of New York Mellon for Ardevora and Arrowstreet’s assets, HSBC for Legal & General's and LA Capital's assets and Northern Trust for Marathon’s assets. The appointment and monitoring of the custodian for these funds is the responsibility of these investment managers.

Assets held with M&G and SECOR Investment Management are held in segregated accounts under custody with Northern Trust.

PFT Limited, a wholly owned subsidiary of Mercer Limited, was appointed by the Trustee as custodian of the cash held in connection with the administration of the Plan until 26 April 2019, after which the cash was held in the name of the Trustee with HSBC Bank plc.

The Trustee is responsible for ensuring the Plan's assets continue to be securely held. It reviews the custodial arrangements, formally, at least annually.

Bases of Investment Managers' fees

The Trustee has negotiated a number of different fee bases with its Defined Benefit Section Investment Managers, as follows:

For Ardevora (active equities), Arrowstreet (active equities), LA Capital (active equities), Marathon (active equities), M&G (Buy & Maintain Credit) and SECOR Investment Management (LDI Completion Overlay) an ad valorem fee applies. For Legal & General (UK Government Bonds) there is a fixed fee which increases annually with RPI.

Defined Contribution Section Investment Managers' fees are covered in detail on page 22.

Approved on behalf of Jacobs Douwe Egberts UK Pension Trustee Limited on 25 September 2020.

Signed on behalf of Jacobs Douwe Egberts UK Pension Trustee Limited

..... Trustee Director

..... Trustee Director

DC Governance statement from 1 April 2019 to 31 March 2020

1. Introduction

On 16 November 2018, the JDE UK Legacy Retirement Benefits Plan merged with the D.E UK Pension Plan to form the Jacobs Douwe Egberts UK Pension Plan ("the Plan"). The benefits of the JDE UK Legacy Retirement Benefits Plan following the merger have been treated as a new section of the Plan known as the "JDE UK Legacy Section". Governance requirements apply to defined contribution (DC) pension arrangements like the DC benefits provided under the JDE UK Legacy Section to help members achieve a good outcome from their pension savings. The Trustee of the Plan is required to produce a yearly statement to describe how the governance requirements have been met in relation to:

- The investment options in which members' funds are invested (this includes the 'default arrangement' and other funds members can select or have assets in, such as self-select funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- An illustration of the cumulative effect of these costs and charges;
- a value for members assessment; and
- Trustee knowledge and understanding.

This statement covers the period from 1 April 2019 to 31 March 2020. This statement along with other information that is relevant to the DC benefits under the JDE UK Legacy Section has been published for members to access at the following website: https://www.jacobsdouweegberts.com/about-us/united-kingdom

2. The default investment arrangement

The default investment arrangement is designed for members who join the Plan and do not choose an investment option. The Trustee is responsible for investment governance, and this includes setting and monitoring the investment strategy for the default arrangement.

The default investment arrangement over the period to 31 March 2020

There are separate default arrangements in place for Pure DC members and members with a Defined Benefit (DB) guarantee.

- The default arrangement for Pure DC members (the Drawdown Lifestyle option) is designed for members who plan to transfer their retirement savings to an external pension provider in order to take a flexible income at retirement. The objective of the default is to generate returns significantly above inflation whilst members are some distance from retirement, and then to gradually reduce the risk taken in the investment strategy as members approach their target retirement date by automatically moving members' assets between different investment funds.
- The default arrangement for members with a DB guarantee is the Invesco Global Targeted Returns Fund, a "diversified growth fund" (a single investment fund that invests in several different types of assets). The objective for the default arrangement for members with a DB guarantee is to outperform the return on cash by 5% (before the deduction of fees) over a three-year period.

The default arrangements for members with DC benefits in the JDE UK Legacy Section were last reviewed in May 2017 prior to the merger by the former Trustee of the JDE UK Legacy Retirement Benefits Plan ("the JDE UK Legacy Trustee") and took effect in May 2018. The JDE UK Legacy Trustee, working with its advisers, considered the characteristics of the membership and the characteristics of the investment options – including the need for appropriate diversification within the default investment strategy. The JDE UK Legacy Trustee also considered the need to provide an appropriate range of investment options for members. The JDE UK Legacy Trustee's review concluded that in future members were more likely to want flexibility, in terms of spreading the amount and timing of withdrawals from their retirement savings. Therefore, the JDE UK Legacy Trustee decided to change the default investment strategy for Pure DC members to target a flexible retirement income (this is called the "Drawdown Lifestyle"). Alongside the default, the JDE UK Legacy Trustee also offered two alternative Lifestyle strategies, targeting annuity purchase and cash at retirement, respectively.

Separately, the JDE UK Legacy Trustee agreed to make the default for members with a DB guarantee a "diversified growth fund", which is a single investment fund that invests in several different types of assets.

The JDE UK Legacy Trustee also decided to make the individual funds in the Lifestyle options available as self-select investment options that Pure DC members could actively choose to invest in if they wanted to take more control of how their DC benefits were invested.

The default strategy and the performance of the default arrangements outlined above were not formally reviewed during the period covered by this statement. The Trustee monitors the performance of the default arrangements on a quarterly basis and will formally review both performance and strategy at least every three years (the next review will be completed by the end of the next Plan year).

The Statement of Investment Principles (SIP) for the Plan was revised to reflect the merger of the JDE UK Legacy Retirement Benefits Plan with the Plan and was agreed by the Plan Trustee on 25 September 2020. Further details of the Trustee's policies regarding the default arrangements are set out in the Plan's SIP, which is in Appendix A and attached to this DC governance statement.

Investment Options available to members

In addition to the current default, the drawdown lifestyle option, Pure DC members can also choose two additional Lifestyle strategies depending on a preference to target either a cash withdrawal at retirement or an annuity purchase at retirement. Members in all three lifestyle options are invested in the same fund (SSGA All World Equity Index Fund) until ten years before their selected retirement age.

The lifestyle options that Pure DC members can choose to pay their contributions to and invest in are outlined below:

Lifestyle options	Description	Associated Funds
Drawdown Lifestyle (Default)	This option will also be used where Pure DC members do not make a choice as to where their contributions are invested. The strategy of this option is designed for members who plan to take a flexible income at retirement (i.e. who want to be able to choose how much to take and when subject to the amount of money they have available). For members with more than ten years left to their selected retirement age, all their fund and contributions will be invested in Global Equities. When members are closer to retirement (less than 10 years away) risk will automatically be reduced by gradually decreasing1 the amount of money invested in Global Equities (higher risk investment) and increasing the amount invested in lower risk Diversified Growth and Cash investments.	Global Equities: SSGA All World Equity Index Fund Diversified Growth: Invesco Global Targeted Returns Fund Cash: SSGA Sterling Liquidity Index Fund (The amount invested in the above funds will change the closer the member gets to their selected retirement age)
Annuity Lifestyle	This option is designed for members who plan to take 25% of their retirement savings as a cash lump sum and use the balance to buy an income for life (called an annuity) at their selected retirement age. For members with more than ten years left to their selected retirement age, all of their fund and contributions will be invested in Global Equities. When members are closer to retirement (less than 10 years) risk will automatically be reduced by gradually decreasing the amount of money invested in Global Equities (higher risk investment) and increasing the amount invested in lower risk Conventional gilts, Index-Linked gilts and Cash investments.	Global Equities: SSGA All World Equity Index Fund Nominal gilts: SSGA UK Conventional Gilts Over 15 Years Index Fund Index-Linked gilts: SSGA UK Index-Linked Gilts Over 5 Years Index Fund Cash: SSGA Sterling Liquidity Index Fund (The amount invested in the above funds will change the closer the member gets to their selected retirement age)
Cash Lifestyle	This option is designed for members who plan to take their entire retirement savings as cash at their selected retirement age. For members with more than ten years left to their selected retirement age, all of their fund and contributions will be invested in Global Equities. When members are closer to retirement (less than 10 years) risk will automatically be reduced by gradually decreasing the amount invested in Global Equities (higher risk investment) and increasing the amount invested in lower risk Diversified Growth and Cash investments.	Global Equities: SSGA All World Equity Index Fund Diversified Growth: Invesco Global Targeted Returns Fund Cash: SSGA Sterling Liquidity Index Fund (The amount invested in the above funds will change the closer the member gets to their selected retirement age)

[1] See Appendix A for chart detailing the changes in allocations over time.

Members can also choose to invest some or all of their current DC pot and future contributions (both employee and employer) with the following investment funds that are available to members on a 'self-select' basis.

A brief description of each of the funds is shown below:

Fund options	Description
SSGA All World Equity Index Fund	The fund aims to track the performance of the FTSE All World Index, which provides broad exposure to developed and emerging markets equities. Equity investments are relatively high risk.
SSGA International Equity Index Fund	The fund aims to track the performance of the FTSE World Index ex UK, which provides broad exposure to developed and emerging markets equities, excluding UK. Equity investments are relatively high risk.
SSGA UK Equity Index Fund	The fund aims to track the performance of the FTSE All Share Index, which provides broad exposure UK equities. Equity investments are relatively high risk.
SSGA UK Conventional Gilts Over 15 Years Index Fund	The fund aims to track the FTSE Actuaries UK Conventional Gilts over 15 years Index. The fund invests in long duration (greater than 15-year maturity) conventional (not inflation- linked) UK Government bonds that constitute the index. Investments in conventional gilts are relatively low risk.
SSGA UK Index Linked Gilts Over 5 Years Index Fund	The fund aims to track the performance of the FTSE Actuaries UK Index-Linked Gilts over 5 years Index. The fund invests in inflation-indexed UK Government bonds, whose semi-annual coupon payments and principal payment are linked to changes in inflation (based on RPI). The fund is thereby protected against changes in inflation as payments from the bond increase as inflation increases and vice versa. Investments in index linked gilts are relatively low risk.
SSGA Sterling Liquidity Index Fund	The fund seeks to preserve any capital paid into it by using low-risk short-term money market instruments and fixed deposits. The Fund aims to achieve a total return within 25 basis points per annum of the London Interbank 7-Day Deposit Rate Index (7-Day LIBID) or its recognised equivalent, at the lowest cost possible.
Invesco Global Targeted Returns Fund	The fund is an actively managed, diversified growth fund, which invests in a broad array of different asset classes and securities. The Fund targets a gross return of 5% per annum above UK 3-month LIBOR (or an equivalent reference rate) on a rolling 3-year basis and aims to achieve the objective with less than half the risk of global equities. Investments in this fund carry a moderate level of risk.

Members with a DB guarantee have their funds invested in the Invesco Global Targeted Returns Fund. These members can choose to have some, or all their benefits invested in one or more of the other funds listed above but would have to give up their DB guarantee to do so.

3. Requirements for processing financial transactions

The Trustee has a specific duty to ensure that core financial transactions (including the investment of contributions, transfers between different investments within the Plan and transfer of member assets out of the Plan) are processed promptly and accurately. The processing of core financial transactions is carried out by the administrators of the Plan, Mercer.

Mercer have a dedicated DC processing team and operate a mandatory peer review process to achieve the agreed service standards.

The Trustee has received assurance from the administrator, Mercer, and has taken steps to try and ensure that there were adequate internal controls to ensure that core financial transactions relating to the Plan were processed promptly and accurately during the Plan year. This includes the investment of contributions, processing of transfers in and out of the Plan, transfers of assets between different investments within the Plan, and payments to members.

The Plan has a service level agreement (SLA) in place with the administrator, Mercer, which covers the following:

- The timeliness and accuracy of the monthly cycle of investment of contributions from receipt of contributions to investment and reconciliation; the agreed service standard is that a minimum of 90% should be turned around within 5 working days from receipt of accurate payroll files. All monthly cycles in this category were turned around within 5 working days of receipt of accurate payroll files during the period.
- For a member switching investments; the agreed service standard is that a minimum of 90% should be turned around within 8 working days. One member was required to switch investments during the Plan year, and the administrator facilitated this with no issues to report.
- For transfer of member assets out of the Plan the agreed service standard is that a minimum of 90% of assets should be tuned around within 15 working days. There were no transfers of DC assets out of the Plan during the Plan year.

The Trustee receives quarterly administration reports from Mercer which it uses to monitor the period within which contributions are received from the Principal Employer, the overall quality of the administration and compliance with the SLA.

These are reviewed during each Trustee meeting and any issues arising are addressed with the administration team lead. Based on these reviews the Trustee is satisfied that core financial transactions were processed promptly and accurately during the Plan year. The Trustee reviewed the end-to-end processes to assess opportunities for improvement. The Principal Employer changed to a new payroll provider during March 2020 and monitoring of the revised process to ensure the robustness of the administration is on-going.

Regarding the administrator's control procedures which govern the accuracy of their processes, the administrator employs an independent auditor to provide assurance over the internal processes and controls detailed in their annual report on their internal controls (AAF01/06/ ISAE 3402). The 2019 report confirmed that the administrator's description of services was fairly presented and that controls were designed, implemented and operated effectively throughout the review period. The Plan Trustee has no cause to believe that this position has changed.

4. Member borne charges and transaction costs

The Trustee is required to set out the member borne charges and transaction costs for the investments used in default and self-select funds in its annual DC governance statements. The Government prescribes the content (including illustrations) in this section, over which the Trustee has little discretion.

The charges incurred on the DC investments are expressed as an "on-going charges figure" ("OCF"), which is the annual management charges ("AMCs") plus additional fund expenses ("AFE") (eg for custody but excluding transaction costs). All of the funds in the default arrangements for Pure DC members and members with a DB guarantee have a combined on-going charges figure below the charge cap of 0.75% p.a. set out in legislation.

In addition to the on-going charges, the investments are subject to other implicit costs such as those associated with trading a fund's underlying securities, commissions and stamp duty. These expenses are not explicitly deducted from the fund but are captured by a reduction in investment returns. In reporting these transaction costs, the Trustee confirms that the guidance provided by the Financial Conduct Authority regarding calculations and disclosures of transaction costs was followed. The transaction costs are calculated using the "slippage cost" methodology. This method looks at the change in the value of an investment between the time the decision to buy or sell the investment is taken and the time that the transaction is executed. As the value of the investments can increase or decrease, this means that the transaction costs identified by this method can be positive or negative.

The Principal Employer pays the AMCs incurred on the default and self-select funds for both Pure DC members and those members with a DB guarantee. As such, the only charges and costs borne by the members of the Plan are the additional fund expenses and the transaction costs. For completeness, the Trustee has reported the historical average of all on-going charges and transaction costs as at 31 March 2020. The figures in this section have been supplied by State Street Global Advisors and Invesco, the Plan's Investment Managers. The figures shown exclude administration costs, member communication costs and advisory costs since these are not paid by the members.

The below table shows the costs and charges relating to all the investment funds within the DC Plan expressed as an annual percentage of a members pension pot. Funds that form part of the default for Pure DC members and members with a DB guarantee are shown in bold.

Fund	Transaction Costs (A)	AFE (B)	AMC (C)	OCF (B)+(C)	Total Costs Borne by Member (A)+(B)
SSGA All World Equity Index Fund	0.00%	0.01%	0.08%	0.09%	0.01%
SSGA Sterling Liquidity Index Fund	0.01%	0.03%	0.13%	0.16%	0.04%
Invesco Global Targeted Returns Fund	0.40%	0.00%	0.70%	0.70%	0.40%
SSGA International Equity Index Fund	0.00%	0.00%	0.08%	0.08%	0.00%
SSGA UK Equity Index Fund	0.00%	0.00%	0.08%	0.08%	0.00%
SSGA UK Conventional Gilts Over 15 Years Index Fund	0.02%	0.00%	0.06%	0.06%	0.02%
SSGA UK Index Linked Gilts Over 5 Years Index Fund	0.02%	0.00%	0.06%	0.06%	0.02%

The below table shows the annual costs and charges paid by a member per £100,000 invested.

Fund	Transaction Costs (A)	AFE (B)	AMC (C)	OCF (B)+(C)	Total Costs Borne by Member (A)+(B)
SSGA All World Equity Index Fund	£0.00	£5.00	£80.00	£85.00	£5.00
SSGA Sterling Liquidity Index Fund	£5.00	£30.00	£130.00	£160.00	£35.00
Invesco Global Targeted Returns Fund	£395.00	£0.00	£700.00	£700.00	£395.00
SSGA International Equity Index Fund	£0.00	£4.00	£80.00	£84.00	£4.00
SSGA UK Equity Index Fund	£0.00	£0.00	£80.00	£80.00	£0.00
SSGA UK Conventional Gilts Over 15 Years Index Fund	£20.00	£0.00	£60.00	£60.00	£20.00
SSGA UK Index Linked Gilts Over 5 Years Index Fund	£20.00	£0.00	£60.00	£60.00	£20.00

Examples demonstrating the cumulative impact of charges and transaction costs

Based on statutory guidance and in accordance with the regulatory requirements, the Trustee has prepared the following illustrations detailing the impact of the costs and charges typically paid by a member of the Plan. Because members of the JDE legacy DC Plan do not pay any annual management charges, the illustration excludes these and only shows the cumulative impact of transaction costs and additional fund expenses, which are borne by the Plan's members. The illustrations take account of the savings pot size; the investment return above inflation excluding costs and charges; adjustments for the effect of costs and charges; and the time to retirement.

To make this representative of the membership, the Trustee based the illustrations on assumptions that the youngest member of the Plan is aged 30 years old with an average pot size of £3,000. A typical member is assumed to be 51 years old and have a pot size of £33,000. These assumptions are consistent with the Plan's membership base. Inflation is assumed to be 2.5% per year. Where transaction costs return a negative value, it is prudent to reflect this as 0% within the illustration as it is unlikely that members will gain every year of their investment term.

The illustrations are shown for the default arrangement (the drawdown lifestyle option) since this is the arrangement with the most members invested in it as well as a range of funds from the Plan's self-select range. The self-select funds shown in the illustration are:

- The fund with the highest annual member borne costs, which is also the default arrangement for members with a DB underpin – this is the Invesco Global Targeted Returns Fund
- The fund with the lowest annual member borne costs – this is the SSGA UK Conventional Gilts Over 15 Years Index Fund

Notes on the projections shown below:

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. Projections are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund
3. The projected annual returns used are as follows is as follows:
    - a Pure DC Default Lifestyle: 3.0% above inflation for members 10 years or more from retirement
    - b DB Underpin Default / Invesco Global Targeted Return Fund: 2.9% above inflation for members 10 years or more from retirement
    - c SSGA UK Conventional Gilts Over 15 Years Index Fund: -1.0% above inflation
    - d No allowance for active management has been made

Youngest member (aged 30) - Future contributions (employer and employee) are assumed to be £250 per month and increase by 1.5% above the level of inflation at the end of each year. Contributions are assumed to cease when the member reaches age 65.

	Most Popular for Pure DC members		Lowest charge		Highest Charge (DB underpin default)	
	Pure DC Default Lifestyle		SSGA UK Conventional Gilts Over 15 Years Index Fund		Invesco Global Targeted Return Fund	
Year End	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£6,135	£6,135	£5,961	£5,960	£6,130	£6,113
3	£12,828	£12,827	£11,931	£11,926	£12,804	£12,711
5	£20,121	£20,118	£17,968	£17,958	£20,061	£19,832
10	£41,254	£41,243	£33,384	£33,350	£41,021	£40,136
15	£67,140	£67,112	£49,318	£49,245	£66,579	£64,467
20	£98,641	£98,587	£65,842	£65,717	£97,545	£93,456
25	£136,767	£136,673	£83,032	£82,840	£134,864	£127,828
30	£182,465	£181,427	£100,969	£100,697	£179,636	£168,409
35	£230,983	£227,059	£119,739	£119,373	£233,136	£216,144

Typical member (aged 41) - Future contributions (employer and employee) are assumed to be £250 per month and increase by 1.5% above the level of inflation at the end of each year. Contributions are assumed to cease when the member reaches age 65.

Fund	Transaction Costs (A)	AFE (B)	AMC (C)	OCF (B)+(C)	Total Costs Borne by Member (A)+(B)
SSGA All World Equity Index Fund	0.00%	0.01%	0.08%	0.09%	0.01%
SSGA Sterling Liquidity Index Fund	0.01%	0.03%	0.13%	0.16%	0.04%
Invesco Global Targeted Returns Fund	0.40%	0.00%	0.70%	0.70%	0.40%
SSGA International Equity Index Fund	0.00%	0.00%	0.08%	0.08%	0.00%
SSGA UK Equity Index Fund	0.00%	0.00%	0.08%	0.08%	0.00%
SSGA UK Conventional Gilts Over 15 Years Index Fund	0.02%	0.00%	0.06%	0.06%	0.02%
SSGA UK Index Linked Gilts Over 5 Years Index Fund	0.02%	0.00%	0.06%	0.06%	0.02%

5. Value for members assessment

The objective of the value for members analysis is to determine whether the benefits and services provided by the Plan provide good value in relation to the costs and charges deducted from members investment funds and compared to other options available in the market. There is no legal definition of "good value" and therefore determining good value for members is subjective.

To assess whether the investment funds and default arrangements represent good value for members, the Trustee considered the following:

- the costs and charges borne by members relative to members of other pension schemes;
- the design of the default arrangements and how this reflects the interests of members;
- the range of investment options and strategies, and the likelihood of them being chosen by members;
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards for the year;
- the quality of communications delivered to members;
- the defined benefit pension that the members receive in addition to their defined contribution benefits; and
- the quality of support services and Plan governance.

Given the Principal Employer pays the majority of the on-going charges associated with the DC Plan, the Trustee believes that members are receiving very good value for money in comparison to most DC schemes from a charges and costs perspective. The Trustee believes that the default arrangements and range of investment options are well designed and align with the interests of members. During the Plan year the Trustee made two additional investment funds available to members on a self-select basis at no extra cost, further increasing member choice and flexibility.

As detailed in the previous section covering processing of financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes. The Trustee devotes significant resources to ensure effective communication with members. The Investment and Funding Committee, a sub-committee of the Trustee, has dedicated agenda items to discuss and review the Plan's defined contribution benefits and processes, and takes appropriate advice to ensure good governance is maintained in accordance with the statutory and regulatory requirements that apply from time to time.

Overall, the Trustee considers that members of the Plan are receiving very good value for money.

6. Trustee knowledge and understanding

The Trustee is required to maintain appropriate levels of knowledge and understanding to comply with legal and regulatory requirements and this, together with the advice available, enables the Trustee to properly exercise its functions and run the Plan effectively.

All Directors of the Trustee have completed all mandatory training modules on the Pensions Regulator's (tPR's) Trustee Toolkit including those relevant for DC Pension Schemes.

A working knowledge of the Plan's Trust Deed and Rules, policies and funding and investment documentation, pensions and trust law is demonstrated frequently, for example when addressing member case referrals and during Trustee meetings.

Each Director maintains a log of training completed. Knowledge gaps are normally formally identified annually by each Director through self-assessment against a list of legal, financial and conversance criteria and training priorities agreed with advisors, referred to as the Trustee Knowledge and Understanding (TKU) questionnaire. In addition, outside the formal process of self-evaluation, the Trustee Board culture encourages each Trustee Director to be open about gaps in knowledge and understanding so that coaching or training can be arranged to address those needs.

In this Plan year, the formal Trustee self-assessment of knowledge and understanding was completed during July 2019. This, together with an evaluation of the effectiveness of the Trustee Board in relation to the objectives of the Scheme's business plan resulted in a training plan agreed during Autumn 2019 and implemented in March 2020.

Details of training conducted in the 2019/20 Plan year by the Plan's actuarial, legal and investment advisers is as follows:

- Refresher in DC Governance requirements;
- Refresher in DC scheme operations;
- Legal training: Ex-JDE Legacy Retirements Plan Trust Deed & Rules;
- Legal training: The benefit structure of the JDE UK Legacy Retirement Benefits Plan;
- Legal training: Ex-D.E Plan Trust Deed & Rules;
- Legal training: The benefit structure of the ex-D.E Plan, by member section;
- Legal training: Trustee discretions;
- Actuarial training: GMP equalisation;
- Actuarial training: draft Pensions Bill 2020 familiarisation;
- Actuarial training: RPI/CPIH;
- Actuarial training: Setting of contributions and commutation factors;
- Actuarial training: Calculation of benefits, by member section;
- Investment training: DC Fund – investment strategy and performance monitoring considerations;
- Investment training: Trustee powers & duties in respect of investments: and
- Investment training: overview of ESG requirements.

In addition to formal training, the Trustee has received regular legislative and regulatory updates from its investment, legal and actuarial advisers during meetings. These enable the Trustee Directors to stay up to date with pensions developments and in respect of those that are relevant to the Plan, any necessary or appropriate actions to be taken.

A new Trustee Director was appointed during the Plan year. The new Trustee Director completed the tPR's Trustee Toolkit training within the first six months of their appointment. In that same period, a detailed induction programme conducted by the Plan Manager and Secretary to the Trustee and the Plan's advisors was also completed by the new Trustee Director. The structured induction programme includes:

- The roles and responsibilities of the members of the Trustee Board and its advisers;
- Policies including confidentiality and conflicts of interest;
- A history of the Plan and current membership statistics;
- A review of key Plan documents including the Plan Rules, the SIP, the Investment Policy Statement (IPS), the most recent Annual Report and Accounts, Covenant report, Valuation and Risk Register;
- Familiarisation with relevant documents such as tPR's "Welcome to pension scheme trusteeship"; and
- Plan specific training provided by the Plan's advisers.

The knowledge and understanding of a new Trustee Director is assessed in several ways including open questioning and debate. The new Trustee Director is encouraged to provide feedback and suggestions for improvements to the induction programme.

Taking into account the knowledge and experience of the Trustee Directors, the on-going training and evaluation of the Trustee's Directors with the specialist advice received from the appointed professional advisers (e.g. investment advisers, legal advisers), the Trustee believes it is well placed to properly exercise its functions as Trustee of the Plan.

Signed for and on behalf of the Trustee of the Jacobs Douwe Egberts UK Pension Plan by the Chair of the Trustee

Date: 25 September 2020

Appendix A

Default strategy specific Statement of Investment Principles

1. Introduction

This default 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. These defined contribution benefits are referred to as the JDE UK Legacy DC Section in this statement.

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 contributions 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 10 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 10-year period to retirement the strategy is 100% invested in global equities. The strategy starts to target higher allocations to diversified growth funds (DGFs) and cash as the time to retirement reduces. The final allocation at retirement is 75% DGF 25% cash.

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.

To help manage the volatility that members' assets experience in the growth phase of the lifestyle strategies (including the default), the Trustee has included an allocation to "diversified growth", which over the long term is expected to generate returns materially above inflation, but with lower volatility than equities.

3.2 DB guarantee members

These DC members are not given an investment choice because they have the option of the DB guarantee. Instead the DC funds of these members are entirely invested in a diversified growth fund. The Trustee believes that this is an appropriate balance between a reasonable investment strategy in the event that the member takes DC benefits and the extra risk to the Plan if the option of the DB guarantee is exercised.

4. Ethical investment policies

The Trustee believes that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and should be considered 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).

The Trustee's guideline is that, the extent to which social, environmental or ethical considerations are considered in their decisions, is left to the discretion of the manager, having regard to the benefit of the JDE UK Legacy DC Section.

Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Plan will not be wound up.

The Trustee is also responsible for making available certain other information about the Plan in the form of an Annual Report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the employers and the active members of the Plan and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for adopting risk-based processes to monitor whether contributions are made to the Plan by the employers in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Independent Auditor's Report to the Trustee of the Jacobs Douwe Egberts UK Pension Plan

Opinion

We have audited the financial statements of Jacobs Douwe Egberts UK Pension Plan for the year ended 31 March 2020 which comprise the Fund Account, the Statement of Net Assets and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements

- show a true and fair view of the financial transactions of the Plan during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulations 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Plan’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the statement of Trustee's responsibilities set out on page 28, the Trustee is responsible for the preparation of the financial statements, for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to wind up the Plan or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's Trustee as a body, for our audit work, for this report, or for the opinion we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London

Date: 25 September 2020

Fund Account

	Note	**Defined Benefit Section £000**	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Employer contributions		**6,991**	**100**	**7,091**	3,552	29	3,581
Employee contributions		**100**	**782**	**882**	379	255	634
Total contributions	4	**7,091**	**882**	**7,973**	3,931	284	4,215
Transfers in	5	**-**	**-**	**-**	85,832	18,702	104,534
Other income	6	**2**	**-**	**2**	12	-	12
		7,093	**882**	**7,975**	89,775	18,986	108,761
Benefits paid or payable	7	**(48,408)**	**(1,878)**	**(50,286)**	(73,744)	(464)	(74,208)
Payments to and on account of leavers	8	**(13,028)**	**-**	**(13,028)**	(38,059)	-	(38,059)
Administrative expenses	9	**(1,023)**	**-**	**(1,023)**	(1,447)	-	(1,447)
Other payments	10	**(72)**	**-**	**(72)**	(24)	-	(24)
		(62,531)	**(1,878)**	**(64,409)**	(113,274)	(464)	(113,738)
Net (withdrawals)/ additions from dealings with members		**(55,438)**	**(996)**	**(56,434)**	(23,499)	18,522	(4,977)
Returns on investments							
Investment income	11	**16,103**	**-**	**16,103**	15,686	-	15,686
Change in market value of investments	12	**35,394**	**(271)**	**35,123**	72,190	261	72,451
Investment management expenses	13	**(4,177)**	**-**	**(4,177)**	(3,163)	-	(3,163)
Net returns on investments		**47,320**	**(271)**	**47,049**	84,713	261	84,974
Net (decrease)/ increase in the fund during the year		**(8,118)**	**(1,267)**	**(9,385)**	61,214	18,783	79,997
Transfers between sections	15	**485**	**(485)**	**-**	285	(285)	-
Net assets at 1 April		**1,672,623**	**18,498**	**1,691,121**	1,611,124	-	1,611,124
Net assets at 31 March		**1,664,990**	**16,746**	**1,681,736**	1,672,623	18,498	1,691,121

The notes on pages 33 to 48 form part of these financial statements.

Statement of Net Assets available for benefits

	Note	**Defined Benefit Section £000**	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Investment assets							
Bonds		**416,191**	**-**	**416,191**	414,534	-	414,534
Pooled investment vehicles	16	**1,206,176**	**16,134**	**1,222,310**	1,226,931	18,317	1,245,248
Derivatives	17	**15,699**	**-**	**15,699**	2,760	-	2,760
AVC investments	18	**2,115**	**-**	**2,115**	2,177	-	2,177
Cash	19	**36,331**	**-**	**36,331**	17,623	-	17,623
Other investment balances	20	**40,709**	**-**	**40,709**	8,523	-	8,523
		1,717,221	**16,134**	**1,733,355**	1,672,548	18,317	1,690,865
Investment liabilities							
Derivatives	17	**(54,966)**	**-**	**(54,966)**	(5,135)	-	(5,135)
Other investment balances	20	**(2,636)**	**-**	**(2,636)**	(387)	-	(387)
		(57,602)	**-**	**(57,602)**	(5,522)	-	(5,522)
Total net investments	12	**1,659,619**	**16,134**	**1,675,753**	1,667,026	18,317	1,685,343
Current assets	25	**7,905**	**772**	**8,677**	8,093	277	8,370
Current liabilities	26	**(2,534)**	**(160)**	**(2,694)**	(2,496)	(96)	(2,592)
Net assets at 31 March		**1,664,990**	**16,746**	**1,681,736**	1,672,623	18,498	1,691,121

The financial statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which takes into account such obligations for the Defined Benefit Section, is dealt with in the report on actuarial liabilities on pages 5 to 6 and these financial statements should be read in conjunction therewith.

The notes on pages 33 to 48 form part of these financial statements.

The financial statements on pages 31 to 48 were approved on behalf of Jacobs Douwe Egberts UK Pension Trustee Limited on 25 September 2020.

Signed on behalf of Jacobs Douwe Egberts UK Pension Trustee Limited

..... Trustee Director

..... Trustee Director

1. General information

The Jacobs Douwe Egberts UK Pension Plan (the Plan) is an occupational pension scheme established in the United Kingdom under trust.

The Plan was established to provide retirement benefits to certain groups of employees and former employees within the group. The address of the Plan's principal office is Horizon, Honey Lane, Hurley, Maidenhead, SL6 6RJ.

The Plan is a hybrid scheme, comprising a Defined Benefit Section and a Defined Contribution Section.

2. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) - The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (SORP) (Revised June 2018).

In June 2018, a revised SORP was issued which is applicable to accounting periods on or after 1 January 2019. The Trustee has adopted the revised SORP for the first time in these financial statements., The adoption of the revised SORP has had no material impact on the financial statements, although it has required certain additions to or amendments of disclosures in the financial statements.

3. Accounting policies

The principal accounting policies are set out below. Unless otherwise stated, they have been applied consistently year on year.

3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

3.2 Currency

The Plan's functional currency and presentational currency is Pounds Sterling (GBP).

3.3 Contributions

Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the Employer.

Employer Normal contributions which are expressed as a rate of salary are accounted for on the same basis as the Employees' Normal contributions, in accordance with the Schedule of Contributions in force during the year.

Employer Other and Augmentation contributions are accounted for in accordance with the agreement under which they are payable or, in the absence of an agreement, on a receipts basis.

3.4 Transfers

Individual transfers in or out of the Plan are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

3.5 Other income

Income is accounted for in the period in which it falls due on an accruals basis.

3.6 Payments to members

Pensions in payment are accounted for in the period to which they relate.

Other benefits, and any associated tax liabilities, are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for on the later of the date of leaving, retirement or death and the date on which any option or notification is communicated to the Trustee. If there is no choice, they are accounted for on the date of retirement or leaving.

The Plan has purchased annuity policies to cover certain pensions in payment. The cost of acquiring these policies is included in the fund account in the year of purchase and represents the cost of discharging the obligations of the Plan to the relevant members at the time of purchase.

3.7 Administrative and other expenses

Administrative expenses are accounted for in the period in which they fall due on an accruals basis.

Investment management expenses are accounted for in the period in which they fall due on an accruals basis.

3.8 Investment income

Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.

Income from investments includes the recoverable tax credits.

Income from pooled investment vehicles is accounted for when declared by the Investment Manager.

3.9 Change in market value of investments

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

3.10 Valuation of investments

Investments are included at fair value as follows:

Quoted securities, including bonds, which are traded on active markets have been valued at the quoted price, which is usually the bid price, at the year end.

Pooled investment vehicles which are not traded on active markets, but where the investment manager has provided a daily/weekly/monthly trading price, are valued using the last bid/single price, provided by the investment manager at or before the year end.

Swaps are stated at fair value as reported in the valuation provided by the Investment Manager at the year end. Interest is accrued monthly on a basis consistent with the terms of each contract. The amounts included in change in market value are the realised gains or losses on closed contracts and the unrealised gain or losses on open contracts. Net interest receipts or payments on swap contracts are reported within change in market value.

Forward foreign exchange contracts outstanding at the year-end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

Purchases and sales of investments and income and expenditure from foreign currency holdings is translated into Sterling at the rate applicable on the date of the transaction. All exchange differences are dealt with in change in market value.

Exchange traded futures are valued at fair value using the daily mark-to-market, which is a calculated difference between the settlement prices at the year end and the inception date. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts.

The Trustee holds insurance policies that secure pensions payable to specified beneficiaries. These policies remain assets of the Trustee, but, as the value of these policies is not material, under current regulations and accounting practice, the Trustee has decided that these policies need not be valued in the Statement of Net Assets.

The AVC investments include policies of assurance. The market value of these policies has been taken as the surrender values of the policies at the year end, as advised by the AVC providers.

4. Contributions

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Employer contributions:						
Normal	**5,482**	**100**	**5,582**	1,918	29	1,947
Other	**1,245**	**-**	**1,245**	1,634	-	1,634
Augmentations	**264**	**-**	**264**	-	-	-
	6,991	**100**	**7,091**	3,552	29	3,581
Employee contributions:						
Normal	**100**	**82**	**182**	55	34	89
Additional voluntary contributions	**-**	**700**	**700**	324	221	545
	100	**782**	**882**	379	255	634
	7,091	**882**	**7,973**	3,931	284	4,215

Other contributions of £1,245,000 *(2019: £1,634,000)* relate to additional contributions towards expenses including Plan levies amounting to £61,000 *(2019: £23,000)*.

5. Transfers in

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Group transfers in from other schemes	**-**	**-**	**-**	85,832	18,702	104,534

For the Defined Benefit Section, the 'group transfers in from other schemes' in the prior year related to the assets and liabilities of the JDE UK Legacy Retirement Benefits Plan being merged into this Plan on 14 November 2018.

The above figure represented investments of £84,669,000, cash of £885,000 and net current assets of £278,000.

For the Defined Contribution Section, the 'group transfers in from other schemes' in the prior year related to the assets and liabilities of the JDE UK Legacy Retirement Benefits Plan being merged into this Plan on 30 November 2018.

The above figure represented investments of £18,410,000, cash of £332,000 and net current liabilities of £40,000.

6. Other income

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Interest on cash deposits held by the Trustee	**2**	**-**	**2**	-	-	-
Compensation	**-**	**-**	**-**	12	-	12
	2	**-**	**2**	12	-	12

7. Benefits paid or payable

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Pensions	**42,799**	**-**	**42,799**	40,960	-	40,960
Commutation of pensions and lump sum retirement benefits	**5,494**	**1,799**	**7,293**	32,603	429	33,032
Lump sum death benefits	**101**	**-**	**101**	133	-	133
Taxation where lifetime or annual allowance exceeded	**14**	**79**	**93**	48	35	83
	48,408	**1,878**	**50,286**	73,744	464	74,208

Commutation of pensions and lump sums on retirement in the prior year increased significantly due to the Liability Management Exercise which has took place during that year.

8. Payments to and on account of leavers

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
State scheme premiums	**38**	**-**	**38**	-	-	-
Individual transfers out to other schemes	**12,990**	**-**	**12,990**	38,059	-	38,059
	13,028	**-**	**13,028**	38,059	-	38,059

9. Administrative expenses

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Administration, actuarial and consultancy	**754**	**-**	**754**	961	-	961
Liability management costs	**-**	**-**	**-**	343	-	343
Audit fees	**53**	**-**	**53**	40	-	40
Legal fees	**114**	**-**	**114**	37	-	37
Trustee support	**14**	**-**	**14**	14	-	14
Trustee training, communications and miscellaneous	**27**	**-**	**27**	29	-	29
Plan levies	**61**	**-**	**61**	23	-	23
	1,023	**-**	**1,023**	1,447	-	1,447

10. Other payments

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Premiums on term insurance policies	**72**	**-**	**72**	24	-	24

11. Investment income

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Income from bonds	**14,855**	**-**	**14,855**	14,939	-	14,939
Income from pooled investment vehicles	**1,083**	**-**	**1,083**	552	-	552
Interest on cash deposits	**149**	**-**	**149**	179	-	179
Annuity income	**16**	**-**	**16**	16	-	16
	16,103	**-**	**16,103**	15,686	-	15,686

12. Reconciliation of investments

Defined Benefit Section

	Market value at 1 April 2019 £000	Cost of investments purchased and derivative payments £000	Proceeds of sales of investments and derivative receipts £000	Change in market value £000	**Market value at 31 March 2020 £000**
Bonds	414,534	32,428	(20,202)	(10,569)	**416,191**
Pooled investment vehicles	1,226,931	12,145	(122,205)	89,305	**1,206,176**
Derivatives	(2,375)	43,782	(37,321)	(43,353)	**(39,267)**
AVC investments	2,177	45	(118)	11	**2,115**
	1,641,267	88,400	(179,846)	35,394	**1,585,215**
Cash	17,623			-	**36,331**
Other investment balances	8,136			-	**38,073**
	1,667,026			35,394	**1,659,619**

Defined Contribution Section

	Market value at 1 April 2019 £000	Cost of investments purchased £000	Proceeds of sales of investments £000	Change in market value £000	**Market value at 31 March 2020 £000**
Pooled investment vehicles	18,317	1,587	(3,499)	(271)	**16,134**

12.1 Transaction costs

No transaction costs are included in the cost of purchases and sale proceeds. Indirect costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. The amount of indirect costs is not separately provided to the Plan.

12.2 Defined contribution assets

Investments purchased by the Plan are allocated to provide benefits to the individuals on whose behalf corresponding contributions were paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Plan administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Plan that relate to members leaving the Plan prior to vesting.

	2020 £000	2019 £000
Allocated to members	**16,134**	18,317
Not allocated to members	**-**	-
	16,134	18,317

13. Investment management expenses

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Administration, management and custody	**2,781**	**-**	**2,781**	1,982	-	1,982
Investment advisory	**1,396**	**-**	**1,396**	1,181	-	1,181
	4,177	**-**	**4,177**	3,163	-	3,163

The increase in investment management expenses is partly due to an under-accrual of fees, relating to prior years, being included in this year's figure, and fees are also higher as they are charged on the size of assets under management, which were on average higher over this Plan year.

14. Taxation

The Plan is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

15. Transfers between sections

'Transfers between sections' of £485,000 *(2019: £285,000)* relate to the transfer of members' Defined Contribution Section benefits to the Defined Benefit Section, prior to the amalgamated payment to the members.

16. Pooled investment vehicles

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Global equity funds	**163,673**	**11,255**	**174,928**	171,072	11,956	183,028
Bond funds	**-**	**1,344**	**1,344**	-	1,128	1,128
Diversified growth funds	**-**	**3,379**	**3,379**	-	5,123	5,123
QIF	**1,042,503**	**-**	**1,042,503**	1,055,859	-	1,055,859
Cash	**-**	**156**	**156**	-	110	110
	1,206,176	**16,134**	**1,222,310**	1,226,931	18,317	1,245,248

The Plan is the sole investor in the QIF which is managed by LGIM.

The following table provides a breakdown of the securities within the QIF as at the year end:

	2020 £000	**2019 £000**
Fixed interest bonds	421,645	399,167
Index linked bonds	606,162	625,066
Reverse repurchase agreement	(2,459)	3,578
Repurchase agreement	3,199	-
Cash and other investment balances	13,956	28,048
Total	**1,042,503**	**1,055,859**

The QIF's securities that have been sold under repurchase agreements are included in the QIF in the relevant investment category.

The value of collateral pledged on these contracts is £3,846,015 *(2019: £nil)*. The value of collateral held on these contracts is £1,352,072 *(2019: £3,405,086)* and the collateral held is in the form of UK Government bonds.

17. Derivatives

Defined Benefit Section

	Assets £000	**Liabilities £000**	**2020 £000**	Assets £000	Liabilities £000	2019 £000
Futures	**-**	**(8)**	**(8)**	14	-	14
OTC Swaps	**15,361**	**(49,203)**	**(33,842)**	2,551	(4,492)	(1,941)
Forward foreign exchange	**338**	**(5,755)**	**(5,417)**	195	(643)	(448)
	15,699	**(54,966)**	**(39,267)**	2,760	(5,135)	(2,375)

17.1 Futures

Defined Benefit Section

Nature	Economic exposure £000	Expiration	Asset value £000	Liability value £000
ETD Future LIF 3M Sterling	37,459	June 2020	-	(8)
Total 2020	**37,459**		**-**	**(8)**
Total 2019	37,189		14	-

The economic exposure represents the notional value of stock purchased under the futures contract and therefore the value is subject to market movements.

17.2 OTC Swaps

Defined Benefit Section

Nature	Notional amounts £000	Expiration	Aggregate asset value £000	Aggregate liability value £000
Interest rate swaps	(266,700)	2021 - 2060	9,221	(26,306)
Inflation swaps	(483,000)	2021 - 2060	6,140	(22,897)
Total 2020	**(749,700)**		**15,361**	**(49,203)**
Total 2019	(779,400)		2,551	(4,492)

The notional principal of the swap is the amount used to determine the value of the swapped interest receipts and payments.

The Plan has entered into swap contracts to match as far as possible the Plan's long term liabilities, in particular in relation to their sensitivities to interest rate movements.

At the year end the Plan held cash collateral of £38,810,000 (2019: £36,405,386) which had been pledged to the Plan by counterparties in respect of unrealised gains on swaps. This is held in an allocated account with the counterparties' custodians and is not included within the Plan assets.

In addition, the Plan had pledged cash collateral to counterparties of £3,690,000 (2019: £nil) at the year end in respect of unrealised losses on swaps. This is held in an allocated account by the Plan’s custodian and is included within Plan assets.I

17.3 Forward foreign exchange

Defined Benefit Section

Contract	Settlement date	Currency bought	Currency sold	Aggregate asset value £000	Aggregate liability value £000
FFX	17 June 2020	GBP 1,522,665	SEK 18,460,000	20	-
FFX	17 June 2020	GBP 5,534,350	CAD 9,490,000	161	-
FFX	17 June 2020	GBP 14,839,704	JPY 2,035,620,000	-	(396)
FFX	17 June 2020	GBP 18,197,981	EUR 20,850,000	-	(281)
FFX	17 June 2020	GBP 3,819,411	AUD 7,430,000	156	-
FFX	17 June 2020	GBP 5,604,942	CHF 6,830,000	1	(102)
FFX	17 June 2020	GBP 110,528,003	USD 141,428,510	-	(3,380)
FFX	17 June 2020	USD 26,270,000	GBP 22,302,932	-	(1,145)
FFX	17 June 2020	JPY 412,230,000	GBP 3,246,112	-	(161)
FFX	17 June 2020	CHF 980,000	GBP 860,755	-	(42)
FFX	17 June 2020	CAD 2,410,000	GBP 1,407,837	-	(43)
FFX	17 June 2020	SEK 4,410,000	GBP 366,493	-	(7)
FFX	17 June 2020	AUD 1,820,000	GBP 900,229	-	(3)
FFX	17 June 2020	EUR 5,130,000	GBP 4,740,981	-	(195)
Total 2020				**338**	**(5,755)**
Total 2019				195	(643)

The Plan uses forward foreign exchange contracts to hedge against the risk of investment in foreign currency denomination assets whilst having the obligation to settle benefits in Sterling.

18. AVC investments

The Trustee holds assets within the main fund and also holds assets which are separately invested from the main fund in the form of individual bank and building society accounts and policies of assurance. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 31 March each year, confirming the amounts held to their account and the movements during the year.

The total amount of AVC investments at the year end is shown below:

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Aviva	**93**	**-**	**93**	93	-	93
Legal & General Assurance (Pensions Management) Limited	**963**	**-**	**963**	1,007	-	1,007
Prudential	**22**	**-**	**22**	22	-	22
Utmost Life and Pensions	**1,037**	**-**	**1,037**	-	-	-
Equitable Life Assurance Society	**-**	**-**	**-**	1,055	-	1,055
	2,115	**-**	**2,115**	2,177	-	2,177

19. Cash

Defined Benefit Section

	Assets £000	**Liabilities £000**	**2020 £000**	Assets £000	Liabilities £000	2019 £000
Sterling	**36,253**	**-**	**36,253**	17,561	-	17,561
Foreign currency	**78**	**-**	**78**	62	-	62
	36,331	**-**	**36,331**	17,623	-	17,623

The Sterling cash balance was held by custodian Northern Trust. The cash acts as collateral for the swap-based LDI overlay, the FX overlay and supports any cash calls from the UK Government Bond portfolio in the event of a rise in yields.

20. Other investment balances

Defined Benefit Section

	Assets £000	**Liabilities £000**	**2020 £000**	Assets £000	Liabilities £000	2019 £000
Investment income receivable	**5,589**	**-**	**5,589**	6,293	-	6,293
Outstanding settlements	**-**	**(2,636)**	**(2,636)**	460	(387)	73
Amounts due from/(to) brokers	**35,120**	**-**	**35,120**	1,770	-	1,770
	40,709	**(2,636)**	**38,073**	8,523	(387)	8,136

21. Fair value determination

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.
Level 3	Unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The Plan's investment assets and liabilities have been included at fair value using the above hierarchy levels as follows:

	2020 Level 1 £000	**2020 Level 2 £000**	**2020 Level 3 £000**	**2020 Total £000**
Defined Benefit Section				
Bonds	**-**	**416,191**	**-**	**416,191**
Pooled investment vehicles	**-**	**1,206,176**	**-**	**1,206,176**
Derivatives	**(8)**	**(39,259)**	**-**	**(39,267)**
AVC investments	**-**	**-**	**2,115**	**2,115**
Cash	**36,331**	**-**	**-**	**36,331**
Other investment balances	**38,073**	**-**	**-**	**38,073**
	74,396	**1,583,108**	**2,115**	**1,659,619**
Defined Contribution Section				
Pooled investment vehicles	**-**	**16,134**	**-**	**16,134**
	-	**16,134**	**-**	**16,134**
	74,396	**1,599,242**	**2,115**	**1,675,753**

Analysis for the prior year end is as follows:

	2019 Level 1 £000	2019 Level 2 £000	2019 Level 3 £000	2019 Total £000
Defined Benefit Section				
Bonds	-	414,534	-	414,534
Pooled investment vehicles	-	1,226,931	-	1,226,931
Derivatives	14	(2,389)	-	(2,375)
AVC investments	-	-	2,177	2,177
Cash	17,623	-	-	17,623
Other investment balances	8,136	-	-	8,136
	25,773	1,639,076	2,177	1,667,026
Defined Contribution Section				
Pooled investment vehicles	-	18,317	-	18,317
	-	18,317	-	18,317
	25,773	1,657,393	2,177	1,685,343

22. Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Scheme is exposed to at the end of the reporting period. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee is responsible for determining the Plan's investment strategy which is disclosed within Defined Benefit Assets on page 11 of the Trustee's Report. The Trustee has set the investment strategy for the Plan after taking appropriate advice. Subject to complying with the agreed strategy, which specifies the target proportions of each Section which should be invested in the principal market sectors, the day-to-day management of the asset portfolio of the Plan, including the full discretion for stock selection, is the responsibility of the Investment Manager.

The Plan has exposure to the above risks because of the investments it makes to implement its investment strategy. The Trustee manages its investment risks within agreed risk limits which are set taking into account the Plan's strategic investment objectives. The investment objectives and risk limits are implemented through the investment management agreements in place with the Plan's Investment Managers and monitored by the Trustee by regular reviews of the investment portfolios. The investment objectives and risk limits of the Plan is further detailed in the SIP. Further information on the Trustee's approach to risk management, credit and market risk is set out in the Trustee's report. This does not include the AVC investments as these are not considered significant in relation to the overall investments of the Plan.

Defined Benefit Assets

There have been no changes to the investment strategy in the period therefore the Plan's risk exposure remains unchanged.

Credit Risk

The Defined Benefit Assets are subject to direct credit risk because they are invested in unrated pooled investment vehicles (see Note 16), holds cash balances (see Note 19) and invests in investment grade bonds (see Note 12) and 'over the counter' derivatives such as swaps and forward foreign exchange contracts (see Note 17). Direct credit risk exposure via the segregated Buy & Maintain Credit portfolio is minimised by constraining the portfolio to bonds with a minimum credit issue quality of BBB , an average credit quality of A and imposing sector/ issuer concentration limits. The Trustee regularly monitors the Buy & Maintain Credit portfolio on a regular basis to ensure the portfolio remains within the constraints imposed. The swaps held by the Plan are collateralised on a daily basis to mitigate the risk of counterparty default (see Note 17.2).

The Plan’s investments are exposed to counterparty risks from the custodian and through the use derivatives in the foreign exchange overlay and the LDI overlay. The Plan’s counterparty risk from the custodian is managed by sweeping cash balances into a cash vehicle. The counterparty risk in the derivative based overlays is managed through seeking to diversify contracts across counterparties, collateral management processes and where possible making use of exchange traded derivative contracts.

The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an on-going basis monitors any changes to the operating environment of the pooled manager. Direct credit risk in respect of pooled investment vehicles is mitigated by the underlying assets being ring-fenced from the pooled fund manager, the regulatory environments in which the fund managers operate and the diversification of investments in a number of pooled arrangements. Investment in the QIF is via a life insurance policy issued by a subsidiary of Legal & General Investment Management. The remaining pooled investments held by the Plan are primarily held within unit trusts.

22. Investments risks - continued

Market Risk

Indirect market risk arises if the underlying investments of the pooled investment vehicles (see Note 16) are exposed to interest rate or other price risks.

- Interest Rate Risk

The Plan is subject to indirect interest rate risk where some of the underlying investments are held in bonds, bond funds, interest rate swaps and cash through pooled investment vehicles. At the prior year end, the Plan also had direct interest rate risk exposure through its holdings in segregated bonds, swaps and cash as disclosed in Notes 12, 17 and 19.

The Trustee has set a benchmark for total investments in bonds and liability hedging funds for each Section. These allocations are monitored regularly against the liabilities as part of the LDI programme. Under this programme, if interest rates fall, the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the LDI investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

The split between the LDI investments and non LDI investments is regularly reviewed by the Trustee.

- Other Price Risk

Other price risk arises principally in relation to the underlying assets in the 'growth' assets held by the Plan which, at the year end, consisted of global equity pooled funds. Under the Trustee's revised investment strategy which was implemented last year, the target asset allocation to growth funds is 10%, with a maximum allocation of 15%. At 31 March 2020 the actual allocation to growth funds was 10% *(2019: 10%)*.

The Plan manages this exposure to overall price movements by constructing a diverse portfolio of global equity investments and utilising active management. A rebalancing strategy is also operated to ensure that the % allocations do not differ too far from their strategic benchmarks.

- Currency Risk

There is currency risk inherent in investing in overseas equity markets and therefore currency risk arises on the underlying assets of the global equity funds. In order to limit this currency risk, the Trustee hedges all non-sterling developed market currencies in the global equity allocation based on weights determined by the MSCI All Countries World Index via an FX hedging overlay. The allocation to Buy and Maintain Credit, UK Government Bonds and the LDI Completion Overlay are Sterling denominated.

Other Risks:

- Inflation Risk

As part of the LDI programme, the Plan holds inflation swaps, fixed interest securities and gilts to manage inflation risks associated with pension liability increases .

- Longevity Risk

The Plan does not hold investments to manage longevity risk. If in future affordable products become available that mitigate this risk, the Trustee may consider these products.

22. Investments risks - continued

Defined Contribution Assets

Indirect Credit Risk and Market Risk

The Defined Contribution Assets are subject to indirect credit and market risk arising from the underlying financial instruments held in the white label funds managed by State Street and Invesco as follows (Note 16).

	Indirect credit risk	Currency risk	Interest rate risk	Other price risk
Equity funds		✔		✔
Bonds funds	✔		✔	✔
Cash funds	✔		✔	✔
Diversified Growth fund	✔	✔	✔	✔

The risks disclosed here relate to the Defined Contribution Assets as a whole. As members are able to choose their own investments from the range of funds offered, member level risk exposures will be dependent on the funds invested in by members.

Direct credit risk

The Defined Contribution Assets are subject to direct credit risk in relation to State Street through its holding in unit linked insurance funds provided by State Street. The Investment Managers are regulated by the Financial Conduct Authority and maintain separate funds which are ring fenced for their policy holders. All monies are invested in State Street's own investment unit linked funds and it does not use other investment funds or reinsurance arrangements. In the event of default, the members may be entitled to limited compensation from the Financial Services Compensation Scheme.

23. Concentration of investments

The following investments each account for more than 5% of the Plan's net assets at the year end:

	2020		2019	
	£000	**%**	£000	%
Legal & General QIF	**1,042,503**	**62.0**	1,055,859	62.4

Excluding holdings UK Government Gilts there are no underlying investments which exceed 5% of the total value of the net assets of the Plan.

24. Employer-related investments

As at 31 March 2020 and 31 March 2019 less than 5% of the Plan's assets were invested in securities issued by the sponsoring employer or its affiliates. Therefore the 5% limit had not been breached as at 31 March 2020 or 31 March 2019.

There were no employer related investments during the year with the exception of late employer contribution disclosed in note 25.

25. Current assets

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Contributions due from the employer in respect of:						
- Employer	**1,072**	**6**	**1,078**	843	6	849
- Employees	**4**	**58**	**62**	331	79	410
Cash deposits held	**6,829**	**708**	**7,537**	370	192	562
Cash deposits held with the Plan Administrator	**-**	**-**	**-**	6,549	-	6,549
	7,905	**772**	**8,677**	8,093	277	8,370

Included within Employer Normal Contributions due from the Employer is an amount of £600,817 which was received after the due date which is set out in the Schedule of Contributions. All other contributions due from the Employer at the year end have been received in accordance with the Schedule of Contributions.

Of the cash deposits held with the Plan Administrator, £nil *(2019: £6,549,000)* represents the balance applicable to the Plan on the PFT Limited Clients' Trust Account. The account is held with the National Westminster Bank Plc. The remaining cash of £7,537,000 *(2019: £562,000)* is held with HSBC Bank plc.

The Defined Contribution Section cash deposits held are allocated to members.

26. Current liabilities

	Defined Benefit Section £000	**Defined Contribution Section £000**	**2020 Total £000**	Defined Benefit Section £000	Defined Contribution Section £000	2019 Total £000
Pensions payable	**831**	**-**	**831**	792	-	792
Lump sums on retirement payable	**230**	**160**	**390**	357	96	453
Taxation payable	**483**	**-**	**483**	459	-	459
Administrative expenses payable	**193**	**-**	**193**	236	-	236
Investment management expenses payable	**797**	**-**	**797**	652	-	652
	2,534	**160**	**2,694**	2,496	96	2,592

27. Related party transactions

(a) Entities with control, joint control or significant influence over the Plan

Following the desegregation and agreement under the Schedule of Contributions for the Participating Employer to pay all administrative costs in relation to the running of the Plan, with the Plan meeting all investment related fees, the reimbursement process was amended. The Participating Employer directly meets the Trustee and Plan management fees. All other administrative fees (net of VAT) are initially paid by the Plan and then the Participating Employer reimburses the Plan via a monthly payment which is reviewed and adjusted according to incurred fees. These payments are then summarised each quarter and a balancing amount is paid either to the Plan from the Participating Employer or carried forward to the next quarter (with an appropriate adjustment to the monthly payments from the Participating employer).

(b) Key management personnel of the Plan or its parent (in aggregate)

Of the six Trustee Directors at the year end, two were deferred members of the Plan (Stephen Silvester and Roger Broadberry).

Of the Trustee Directors at the year end, four were Company nominated and two Member nominated. A Conflicts of Interests Policy is in place and a register of the declarations of all Trustee Directors and Advisers is maintained. Every Trustee Board meeting opens with a request to declare whether anyone present is conflicted by any agenda item. When an attendee declares a conflict in appropriate cases they are asked to leave the meeting whilst the agenda item is discussed.

28. Contingent liability

As explained on page 4 of the Trustee's report, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits.

The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee of the Plan is aware that the issue will affect the Plan and will be considering this at a future meeting and decisions will be made as to the next steps.

Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

Independent Auditor's Statement about Contributions to the Trustee of the Jacobs Douwe Egberts UK Pension Plan

Statement about contributions payable under the Schedule of Contributions

We have examined the summary of contributions payable to the Jacobs Douwe Egberts UK Pension Plan, for the Plan year ended 31 March 2020 which is set out on page 50.

In our opinion contributions, except for the effects of the departure from the Schedule of Contributions referred to below, for the Plan year ended 31 March 2020 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Plan Actuary on 24 September 2018.

Basis for Qualified Statement about Contributions

As explained on page 50, employer normal contributions amounting to £600,817 were paid later than the due date as set out in the Schedule of Contributions.

Basis of opinion

Our objective is to obtain sufficient evidence to give reasonable assurance that contributions reported in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedule of Contributions.

Responsibilities of Trustee

As explained more fully in the Statement of Trustee's Responsibilities, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employers and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employers in accordance with the Schedule of Contributions.

Auditor's responsibilities for the statement about contributions

It is our responsibility to provide a Statement about Contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Plan's Trustee, as a body, in accordance with The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's Trustee as a body, for our work, for this statement, or for the opinion we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London

Date: 25 September 2020

Summary of Contributions

During the year ended 31 March 2020, the contributions payable to the Plan by the Employer were as follows:

	Defined Benefit Section £000	Defined Contribution Section £000	**2020 Total £000**
Contributions payable under the Schedule of Contributions:			
Employer contributions:			
Normal	5,482	100	**5,582**
Other	1,245	-	**1,245**
Augmentations	264	-	**264**
	6,991	100	**7,091**
Employee contributions:			
Normal	100	82	**182**
Contributions payable under the Schedule of Contributions (as reported on by the Plan Auditor)	7,091	182	**7,273**
Other contributions:			
Additional voluntary contributions	-	700	**700**
Total contributions reported in the financial statements	7,091	882	**7,973**

There were late Defined Benefit Section Employer contributions of £600,817 relating to the period between 1 April 2019 and 31 March 2020. £60,683 was paid on 22 May 2020 and £540,134 was paid on 18 September 2020. This was due to the incorrect calculation of Pensionable Salaries used to calculate Employer contributions by the payroll provider. In order to avoid a recurrence of this situation, the Principal Employer has taken over responsibility for the calculation and communication of Pensionable Salaries from the payroll provider and implemented a new monthly report to confirm that the pension payment is accurate.

Approved on behalf of Jacobs Douwe Egberts UK Pension Trustee Limited on 25 September 2020.

Signed on behalf of Jacobs Douwe Egberts UK Pension Trustee Limited

..... Trustee Director

..... Trustee Director

Certification of schedule of contributions

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective can be expected to be met for the period for which the schedule is in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this SOC is consistent with the statement of funding principles dated 24 September 2018.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Plan's liabilities by the purchase of annuities, if the Plan were to be wound-up.

Signature	*C Sheppard*
Scheme Actuary	Chris Sheppard
Qualification	Fellow of the Institute and Faculty of Actuaries
Date of signing	24 September 2018
Name of employer	Mercer Limited
Address	One Christchurch Way Woking Surrey GU21 6JG

Jacobs Douwe Egberts UK Pension Plan

Statement of Investment Principles – September 2020

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 revised as a result of new legislative requirements. 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 Chris Sheppard of Mercer Limited ("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.

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 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 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 Mercer Limited ("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 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 DB 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. The Trustee recognises that the active membership of the Plan is a small proportion of the total membership.

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 50 to 75 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 2018 show the Plan to be in a strong position with no further deficit payments required. Jacobs Douwe Egberts International B.V ("the Sponsor") continues to make contributions to the Plan with respect to future service accrual of active members.

3.2 DC 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 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 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 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 90% matching assets and 10% growth assets and will be implemented using a series of bespoke segregated accounts.
- 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 UK government debt. It is recognised that performance may deviate from the long-term expectation, particularly over the short term.

Target Return	Gilts + 50 to 75 bps p.a.
Target Funded Status Volatility	200 bps p.a.

Risk and Return Assumptions

Asset Class	Arithmetic Return	Volatility
Long Duration Linkers	2.6%	11.2%
UK Credit	3.5%	4.1%
Global Equities	7.0%	14.2%
Nominal Swaps	0.0%	12.6%
Inflation Swaps	0.0%	7.6%
Equity risk reduction overlay	0.0%	14.2%

5.2 DC 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 10 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.

To help manage the volatility that members' assets experience in the growth phase of the lifestyle strategies (including the default), the Trustee has included an allocation to "diversified growth", which over the long term is expected to generate returns materially above inflation, but with lower volatility than equities. The diversified growth allocation seeks to invest across different asset classes, with a view to achieve an improved risk and return trade-off.

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. Instead the DC funds of these members are entirely invested in a diversified growth fund. The Trustee believes that this is an appropriate and reasonable balance between a reasonable investment strategy, if the member takes DC benefits, and the extra risk to the Plan if the option of the DB guarantee is 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 the 200 bps p.a. of funded status volatility being targeted 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 Trustee makes available to active members a number of investment options with Legal & General for the investment of AVCs. Members have 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 may 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 may 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 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 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.

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.

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 does not consider non-financial performance in the selection, retention and realisation of investments and does not incentivise investment managers in respect of non-financial performance.

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

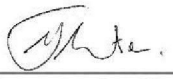
The Trustee monitors compliance with this Statement annually and obtains written confirmation from the investment managers that they have managed the Plan's assets in accordance with the mandates given to them. The Trustee also produces an annual "Implementation Statement" in the Plan's annual report, 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: 25 September 2020



Trustee Director: Stephen Silvester — Date: 25 September 2020

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

Dave Jones

Director: Dave Jones — Date: 25 September 2020

Director: Daniel Bethell — Date: 25 September 2020

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 contributions are invested, taking into account:

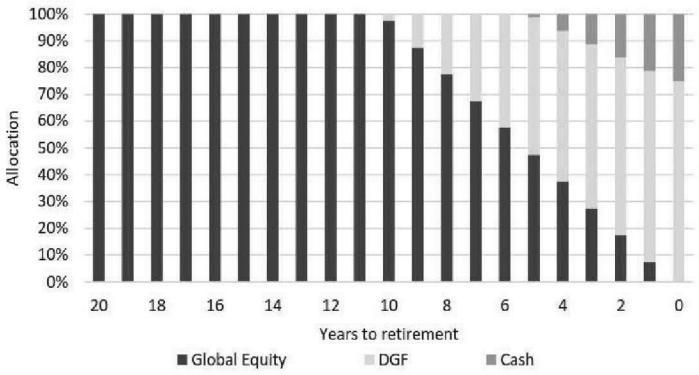
- Kinds of investments to be held;
- Balance between different kinds of investments;
- Investment risks;
- Expected return on investments net of fees;
- Realisation of investments; and
- Socially Responsible Investment, Corporate Governance and Voting Rights.

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 10 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 10-year period to retirement the strategy is 100% invested in global equities. The strategy starts to target higher allocations to diversified growth funds ("DGFs")

and cash as the time to retirement reduces. The final allocation at retirement is 75% DGF 25% cash.



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.

To help manage the volatility of the investments of members in the growth phase of the lifestyle strategies (including the default), the Trustee has included an allocation to "diversified growth", which over the long term is expected to generate returns materially above inflation, but with lower volatility than equities.

3.2 DB guarantee members

These DC members are not given an investment choice because they have the option of the DB guarantee. Instead the DC funds of these members are entirely invested in a diversified growth fund. The Trustee believes that this is an appropriate balance between a reasonable investment strategy in the event that the member takes DC benefits and the extra risk to the Plan if the option of the DB guarantee is 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).

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 invests 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.

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 does not consider non-financial performance in the selection, retention and realisation of investments and does not incentivise investment managers in respect of non-financial performance.

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.