



# Jacobs Douwe Egberts UK Pension Plan

Annual report for the year ended 31 March 2023

Plan Registration Number 10260112

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# The Trustee's Report

## 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 2023. The Plan is a hybrid scheme, comprising a Defined Benefit ("DB") Section and a Defined Contribution ("DC") Section.

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

The DB Section of the Plan was de-sectionalised 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 within the Plan, the D.E UK Pension Plan.

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 DB 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").

The DC assets and liabilities of the JDE Legacy Retirements Benefits Plan were merged into the Plan on 30 November 2018.

The Plan is closed to new entrants and closed to future accrual on 30 June 2021.

Full details of the Plan's benefits can be found in the member's explanatory booklet (see "Contact for further information" on page 7).

## Management of the Plan

The Plan has a corporate Trustee, Jacobs Douwe Egberts UK Pension Trustee Limited. The names of the directors who served during the year and those serving at the date of approval of this report are as follows:

| Name                         | Nominated/<br>appointed by | Date of last appointment   | Date of resignation        |
|------------------------------|----------------------------|----------------------------|----------------------------|
| Russell Bailey<br>(Chairman) | Employer                   | appointed 1 April 2019     |                            |
| Daniel Bethell               | Employer                   | appointed 1 January 2018   | resigned 22 September 2022 |
| Erwin Hessing                | Employer                   | appointed 20 November 2015 |                            |
| David Jones                  | Employer                   | appointed 1 January 2018   | resigned 18 July 2023      |
| Roger Broadberry             | Members                    | appointed 10 December 2007 |                            |
| Stephen Silvester            | Members                    | appointed 1 November 2019  |                            |
| Joris Knauf                  | Employer                   | appointed 5 September 2023 |                            |

At the year end the Trustee Board consisted of five Trustee Directors (2022: six), three (2022: four) of whom, including the Chairman, are nominated by the Principal Employer (D.E Holding UK Limited), and two (2022: two) of whom are nominated by the members of the Plan in accordance with the Occupational Pension Schemes (Member nominated Trustees and Directors) Regulations 2006.

## The Trustee's Report

### Management of the Plan (continued)

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.

A Member Nominated Director ("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.

The Trustee Board meets at least quarterly. Each Trustee Director is entitled to receive at least ten days notice of meetings, although in practice dates are normally fixed well in advance. The Plan Rules provide that decisions of the Trustee may be made by a majority of the Trustee Directors present at any meeting and the Chairman has a casting vote.

The Investment and Funding Committee ("IFC"), a sub-committee of the Trustee, has an overview of all investment and funding issues and reports to the Board. The IFC reviews the Plan's DC benefits and processes and takes appropriate advice to ensure good governance is maintained in accordance with the statutory and regulatory requirements that apply. The IFC meets at least monthly.

The Trustee has delegated the day-to-day management and operation of the Plan's affairs to professional advisers.

### The Principal Employer

The name and address of the Principal Employer is as follows: D.E Holding UK Limited, Horizon Honey Lane, Hurley, Maidenhead, SL6 6RJ.

## The Trustee's Report

### Plan advisers

The Trustee retains a number of professional advisers in connection with the operation of the Plan. The advisers currently appointed are as follows:

|   |   |
|---|---|
| Advising Actuaries                        | Adam Walker, FIA Barnett Waddingham LLP   |
| Administrator of the Plan benefits        | Barnett Waddingham LLP  |
| Investment Adviser                        | SECOR Investment Advisers (UK), LLP   |
| Independent Auditor                       | Grant Thornton UK LLP (from December 2022)<br>Crowe U.K. LLP (until September 2022)   |
| Investment Managers                       | Aon Investments Limited<br>Legal & General Investment Management Limited<br>M&G Investment Management Limited (until June 2022)<br>SECOR Hedged Equity Fund<br>SECOR Investment Management LP |
| AVC Managers                              | Aegon<br>Aviva<br>ReAssure (until May 2023)<br>Prudential<br>Utmost Life and Pensions (until September 2022)  |
| Legal Advisers                            | ARC Pensions Law LLP<br>Bryan Cave Leighton Paisner LLP<br>Gateley plc  |
| Custodians of the Plan assets             | The Northern Trust Company  |
| Bankers                                   | Lloyds Bank plc   |
| Plan Manager and Secretary to the Trustee | Maureen Cronin  |
| Trustee Company Secretary                 | Sisec Limited (from August 2022)  |
| Covenant Adviser                          | Penfida Partners LLP  |

### Changes in and other matters relating to Plan advisers

Crowe U.K. LLP resigned as Plan auditor with effect from 14 September 2022. Crowe U.K. LLP confirmed there were no circumstances connected to their resignation which significantly affects the interest of members, prospective members, or beneficiaries of the Plan. The Trustee appointed Grant Thornton UK LLP as auditor to the Plan with effect from 6 December 2022.

Except those noted above there have been no other changes to Plan advisers and other matters during the Plan year under review.

## The Trustee's Report

### Financial development of the Plan

During the year the value of the net assets decreased by £378,350,000 to £1,385,898,000 as at 31 March 2023. The decrease comprised net withdrawals from dealings with members of £57,747,000 together with a net decrease from the return on investments of £320,603,000.

On 23 September 2022, announcements made in the Government's "mini-budget" led to uncertainty in the long-dated UK government bond ("gilt") market amid a huge demand for cash to support derivative structures. The Bank of England eventually intervened in the market in order to "restore orderly market conditions". The Plan entered this period with a 100% hedge ratio and no leverage within its LDI portfolio. As a result, the Plan's net assets were not adversely impacted by the market turmoil as the Plan did not face collateral calls due to the absence of leverage within the LDI portfolio, and the Plan's 100% hedge ratio meant the Plan's assets tracked its liabilities.

The value of the Plan's investment assets and investment liabilities have been impacted as a result of this market activity. The Plan holds a LDI Portfolio to hedge liability risks and, as such, whilst the value of these investments fell the value of the Plan's liabilities also fell commensurately. As explained in further detail on pages 9 and 10 of this report, the Scheme had an overall assessed funding surplus of approximately £233.3m as at 1 April 2022 corresponding to a funding level of 115%. The Trustee is confident that there hasn't been a significant impact to the overall funding position of the Plan as a result of these events.

### Plan Audit

The financial statements on pages 25 to 43 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

### Tax status of Plan

The Plan is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and, to the Trustee's knowledge, there is no reason why the Plan's registered status should be prejudiced or withdrawn.

## The Trustee's Report

### Plan membership

|                           | Number as at<br>start of year | Changes in year | Number as at end<br>of year |
|---------------------------|-------------------------------|-----------------|-----------------------------|
| Preserved pensioners      | 4,157                         |                 |                             |
| trivial commutations      |                               | (13)            |                             |
| retired                   |                               | (242)           |                             |
| transferred out           |                               | (19)            |                             |
| deaths                    |                               | (20)            |                             |
|                           |                               | <hr/>           |                             |
|                           |                               | (294)           | 3,863                       |
| Pensioners and dependants | 7,879                         |                 |                             |
| new pensioners            |                               | 242             |                             |
| new dependant             |                               | 121             |                             |
| deaths                    |                               | (285)           |                             |
| trivial commutations      |                               | (4)             |                             |
| cessation                 |                               | (2)             |                             |
| adjustment                |                               | (8)             |                             |
|                           |                               | <hr/>           |                             |
|                           |                               | 64              | 7,943                       |
| Total members             | <hr/> <b>12,036</b> <hr/>     |                 | <hr/> <b>11,806</b> <hr/>   |

The member numbers shown above reflect the number of member records held by the Plan.

Pensioners include 1,160 (2022: 1,090) spouses and dependants receiving a pension.

The adjustments to pensioners are as a result of ongoing cleansing of the member data.

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.

## The Trustee's Report

### Pension increases

The pension increase date for all members is 1 April each year. The following increases took effect from 1 April 2022.

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, and all H&BC, DECS and 2002 members receive increases of the lower of RPI as at the previous September and 5%. Pensions in payment were increased by 4.9% on 1 April 2022 (2021: 1.1%).
- Courtaulds members who left active service on or before 31 March 2002 receive increases of the lower of CPI as at the previous September and 5%. Pensions in payment were increased by 3.1% on 1 April 2022 (2021: 0.5%).
- Pretty Polly members are based on the higher of RPI as at the previous September or December, capped at 5%. The pension increase for Pretty Polly members effective from 1 April 2022 was based on December RPI and was 5.0% (2021: 1.2%).
- JDE Legacy members' pensions in payment were increased by 4.9% (2021: 1.1%) during the year for pensioners' benefits which accrued 'Post 1997' and prior to 5 April 2005, being the lower of RPI as at the previous September and 5%. Pensioners' benefits which accrued post 5 April 2005 were increased by 2.5% (2021: 1.1%), being the lower of RPI as at the previous September and 2.5%.
- 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 3.0% was applied to the 'Post 88' GMP pension with effect from April 2022 (2021: 1.1%), being the lower of CPI as at the previous September and 3%.
- DECS members who were in active service pre-April 1997 were awarded a discretionary increase of 4.9% on 1 April 2022 (2021: 1.1%). No other discretionary increases were awarded during the year.
- Deferred pensions were increased in line with statutory requirements.

### Transfer values

All cash equivalents (transfer values) paid during the year were calculated and verified in the manner required by the Pension Schemes Act 1993 and subsequent amendments. No discretionary benefits are included in the calculation of transfer values.



## The Trustee's Report

### 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 Trustee of the Plan is aware that the issue will affect the Plan, and has already considered this in detail. Work is ongoing as further guidance becomes available. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Further details are disclosed in Note 27 of the financial statements.

On 20 November 2020, the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds Banking Group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgments arise in relation to many other defined benefit pension schemes. The Trustee will be considering this at a future meeting and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the financial statements in future years. At the date of signing these accounts, it is not possible to estimate the value of any such adjustments.

### Contact for further information

If, as a Plan member, you wish to obtain further information about the Plan, including copies of the Plan documentation, your own pension position, or who to contact in the event of a problem or complaint, please write to: Barnett Waddingham LLP, Second Floor, Hartwell House, Victoria Street, Bristol, BS1 6AD

Or email [jdeukpp.admin@barnett-waddingham.co.uk](mailto:jdeukpp.admin@barnett-waddingham.co.uk) or telephone the Plan administrators on 0333 11 11 222.

Alternatively, you may contact the Plan administrators online at:  
<https://logon.bwebstream.com/shared/contact>.

## The Trustee's Report

### Statement of Trustee's Responsibilities

#### Trustee's responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. As required by Pension Scheme regulations, 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 as to 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 judgements on a prudent and reasonable basis, and for ensuring that the financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Plan will continue as a going concern.

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 the Trustee 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.

#### Trustee's responsibilities in respect of contributions

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 into the Plan by or on behalf of the Employer 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 Employer in accordance with the Schedule of Contributions and the Payment Schedule. 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.

## The Trustee's Report

### Report on Actuarial Liabilities

The Jacobs Douwe Egberts UK Pension Plan (the Plan) closed to future accrual on 30 June 2021.

Under Section 222 of the Pensions Act 2004, the Plan is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to at the valuation date. This is assessed using the assumptions agreed between the Trustee and the Principal Employer 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 2021. This showed that on that date:

The value of the Technical Provisions was: £1,579.4 million

The value of the assets was: £1,716.5 million

Therefore, the Plan had a funding surplus of £137.1 million corresponding to a funding level of 109%.

In years where there is no actuarial valuation, the Scheme Actuary produces an estimate of the funding position known as an actuarial report. The results of the latest actuarial report as at 1 April 2022 are as follows:

The value of the Technical Provisions was: £1,514.5 million

The value of the assets was: £1,747.8 million

Therefore, the Plan had a funding surplus of £233.3 million corresponding to a funding level of 115%.

The next formal triennial actuarial valuation of the Scheme is due as at 1 April 2024.

The method and significant actuarial assumptions used to determine the Technical Provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles dated 29 November 2021):

#### Method

The actuarial method used in the calculation of the Technical Provisions as at 1 April 2021 is the Projected Unit Method.

#### Inflation

By looking at the cost of investing in UK government bonds with payments linked to inflation compared to the cost of investing in UK government bonds not linked to inflation, it is possible to arrive at a figure for the average market view of future price inflation. This will then be compared to the latest Treasury targets for inflation in the UK, and other relevant information such as inflation swap pricing, when deriving the assumption to use.

#### Salary increases

At the date of the last triennial valuation, the Plan was open to future accrual and so an assumption for future salary increases was required. In particular, the salary increases assumption was set with reference to the inflation assumption, following consultation with the Employer.

#### Pension increases

Assumptions for future pension increases which are linked to inflation will be set with reference to the relevant inflation assumption, adjusted to take account of any minimum and maximum increases that apply.

## The Trustee's Report

### Report on Actuarial Liabilities

#### Discount rate

The discount rate will normally be determined by the Trustee based on professional advice, taking into account relevant market indicators at the valuation date, the long-term strategic asset allocation, the liability profile of the Plan, and the perceived strength of the employer covenant.

As a proportion of the Plan's assets are invested in assets which would be expected to outperform UK government bonds over the long term, an allowance may be made for this in the discount rate, depending on the perceived strength of the employer covenant. However, if the Trustee has material concerns over the strength of the employer covenant, the discount rate may need to be determined looking solely at the yield available on gilts and other low risk asset classes.

#### Retirement

All non-pensioner members are assumed to retire at the earliest age they can take their pension without reduction.

#### Member options

The valuation assumed that 90% of members take the maximum cash allowed at retirement using Plan factors in place at the valuation date.

#### Mortality

The rates of mortality assumed will reflect information published by the Continuous Mortality Investigation of the Actuarial Profession deemed most relevant to the membership of the Plan, including an appropriate allowance for expected future improvements in longevity. This assumption will also reflect any available evidence relating to the actual mortality experience of the Plan, as well as any other factors considered relevant.

In particular the following mortality assumptions were used for the 1 April 2021 valuation:

|                       |  |
|-----------------------|--|
| Mortality tables      | 113% S3PA_M for males, 108% S3PA_M for females (non-pensioners)<br>107% S3PA_M for males, 104% S3PA_M for females (pensioners) |
| Mortality projections | CMI 2020 with a 1.50% p.a. long-term rate of improvement   |

#### Dependant details

Assumptions regarding the proportion of members with a dependant at death, and the age difference between the member and the dependant were set as follows:

- Age difference of spouses: Males are three years older than females.
- Percentage married: 90% of male and 80% of female members are assumed to be married at retirement or earlier death.

The financial statements on pages 25 to 43 do not take into account liabilities which fall due after the year end. As part of the triennial valuation, the Scheme Actuary considers the funding position of the Plan and the level of contributions payable.

#### GMP Equalisation

An allowance on an approximate basis has been made in the valuation of the liabilities for the cost of equalising GMP benefits.

## The Trustee's Report

### Investments

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 pages 49 to 70. The Plan's investment strategy is also reviewed periodically to ensure alignment with the Plan's long-term objectives. 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 August 2022, to reflect the changes that resulted from Plan de-risking. The Investment Policy Statement, which contains more detail on the Plan's asset allocation, was also updated in August 2022.

As at 31 March 2023, 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.

### 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.

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.

## The Trustee's Report

### Arrangements with Investment Managers (continued)

The Investment Adviser 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 Investment Adviser 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.

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 Investment Adviser 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 Investment Adviser'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.

The Investment Adviser 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 Investment Adviser 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 Investment Adviser 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.

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.

### 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.

The Trustee recognises that where the Plan's Investment Managers use derivatives, such as swaps, this may expose 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. As of the report date all the Plan's LDI swap exposure is exchange traded and centrally cleared, which removes the counterparty risk of trading with individual banks, as the exchange becomes the buyer to every seller, and the seller to every buyer of the swaps. The Plan does, however, have the capacity to trade swaps over-the-counter ("OTC").

## The Trustee's Report

### Liability Driven Investment (Continued)

Where the Plan does trade OTC swaps the associated counterparty risk is largely mitigated by ensuring that the relevant Investment Managers execute OTC derivatives only with highly rated and appropriately regulated banks and operate a daily collateralisation/margin management 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 overall structure of the investment strategy remains broadly unchanged but return-seeking assets have been restructured and reduced over time to reduce risk.

In April 2021 the Plan de-risked. Global Equity Managers were reduced to a 5% of Plan target and the SECOR Hedged Equity Fund was added at a 5% of Plan target. Equity futures were used to manage out of market risk during the transition. Additionally, the Credit exposure was reduced to a 12.5% of Plan target and the Gilts, Linkers, Cash and Overlays target was increased to a 77.5% of Plan target.

The Plan de-risked again over the period November 2021 to December 2021. The Plan's total Equity exposure was reduced from 10.0% to 7.5% of Plan, the Global Equity asset class was terminated, and the Hedged Equity asset class was increased from 5.0% to 7.5% of Plan. The Plan's UK Credit allocation was decreased from 12.5% to 10.0%, and the Gilts, Linkers and Overlay strategic weight was increased from 77.5% to 82.5%.



## The Trustee's Report

### Defined Benefit Assets (Continued)

Another de-risk step was carried out in June 2022. Following Trustee approval the UK Investment Grade ("IG") Credit allocation was removed as a strategic asset class on 24 June 2022 and the Gilts, Linkers and Overlay strategic weight was increased from 82.5% to 92.5%. The LDI overlay programme was adjusted to include the duration exposure previously provided by the UK Credit asset class.

The investment strategy is formally recognised in the SIP dated August 2022, which was approved in August 2022, to reflect the mostly recently updated change to the Plan's investment strategy (removal of UK Credit as a strategic asset class).

Under the current investment strategy 92.5% of the Plan assets are invested in an LDI programme. The LDI programme is made up of 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 swap-based overlay and UK Gilts portfolio are held in segregated accounts in the Plan's name. The LGIM UK Gilts portfolio was transitioned from a Qualifying Investment Fund ("QIF") to a separately managed account in February 2023. The UK Gilts portfolio and the swap-based overlay are designated as 'Matching assets'.

The remaining 7.5% of Plan assets are invested in Hedged Equities. The Hedged Equities allocation comprises one fund, the SECOR Hedged Equity Fund ("SHEF"). The Hedged Equity allocation is designated as 'Growth assets'.

The Plan was fully hedged without the use of leverage (no leveraged LDI) and there were no issues pertaining to collateral calls over the period.

The asset allocation as at 31 March 2023 is shown below against the strategic targets that have been agreed for the Plan.

|                                | <b>Hedged Equities</b> | <b>UK Gilts Portfolio,<br/>Swap Based Overlay<br/>and Cash</b> |
|--------------------------------|------------------------|--|
| Actual Allocation              | 7.7%                   | 92.3%  |
| <i>Strategic Targets</i>       | 7.5%                   | 92.5%  |
| <i>Strategic Target Ranges</i> | 2.5-12.5%              | 87.5-97.5%   |

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

For the DC members, the Trustee has made available a range of investment funds. Each member has the freedom to specify 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.

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



## The Trustee's Report

### Review of Investment Performance to 31 March 2023

#### 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 2023.

|                         | <b>1 Year<br/>Return<br/>(%)</b> | <b>1 Year<br/>Benchmark<br/>(%)</b> | <b>3 Year<br/>Return<br/>(% p.a.)</b> | <b>3 Year<br/>Benchmark<br/>(% p.a.)</b> |
|-------------------------|----------------------------------|-------------------------------------|---------------------------------------|--|
| Defined Benefit Section | -18.6                            | -18.3                               | -3.4                                  | -3.2                                     |

The Plan recorded a return of -18.6% over the one-year period. The large negative absolute return over the period was primarily driven by the sharp rise in gilt yields observed in the second half of 2022. The Plan's Matching Assets, which are designed to track the changes in the Plan's liabilities, fell substantially and this was the primary driver of negative returns. The Plan's liability also decreased significantly over the period as rates rose. The Plan's Hedged Equity allocation detracted from absolute returns as global equity markets fell over the year. For both the one-year and three-year period to 31 March 2023 the Plan slightly underperformed its blended market based benchmark.

#### Analysis of return by Investment Manager for the year ended 31 March 2023

|  | <b>1 Year Return<br/>(net of fees)<br/>(%)</b> | <b>1 Year<br/>Benchmark<br/>(%)</b> | <b>3 Year<br/>Return<br/>(%)</b> | <b>3 Year<br/>Benchmark<br/>(%)</b> |
|--|--|-------------------------------------|----------------------------------|-------------------------------------|
| LGIM Bonds (QIF) <sup>1</sup>                | -21.4  | -21.6                               | -9.5                             | -9.5                                |
| LGIM Bonds (Segregated account) <sup>1</sup> | 4.0  | 4.0                                 | -                                | -                                   |
| M&G PP All Stocks Corp Bond <sup>2</sup>     | -4.1   | -4.0                                | -                                | -                                   |
| SECOR Hedged Equity Fund <sup>3</sup>        | -4.3   | -3.6                                | -                                | -                                   |

1. The LGIM Bonds portfolio transitioned from the QIF to a segregated account in the month of February 2023. Hence returns are displayed for the month of March 2023 (the first full month of performance) for the segregated account, and to January 2023 (the last full month of performance) for the QIF.

2. The M&G Credit fund was redeemed in June 2022 as the Plan de-risked, hence returns shown are to May 2022 (the last full month of performance).

3. SECOR Hedged Equity Fund ("SHEF") was funded on 27 April 2021, and hence three-year period performance figures are not available.

Hedged Equities detracted from Plan performance over the year as SHEF underperformed its benchmark. The LGIM Bonds portfolio performed broadly in line with its benchmark, as would normally be expected of a passive mandate.

#### Defined Contribution Section

The default DC investment arrangements, comprise the Aon Managed Core Retirement Pathway Funds.

The Aon Managed Core Retirement Pathway 2052-54 and 2031-33 funds are the relevant lifestyle funds for members 30 years and 10 years from retirement. Target date funds 30 years out are fully invested in equities, and over time the fund's asset allocation will increasingly diversify into bonds/lower-risk assets. The performance of these funds provides an insight into member experience across a broad range of target retirement dates.

## The Trustee's Report

### Analysis of return by Investment Manager for the year ended 31 March 2023

|   | 1 Year Return <sup>1</sup> | 1 Year Benchmark |
|---|----------------------------|------------------|
| Aon Managed Core Retirement Pathway 2052-54 | 0.6                        | -0.9             |
| Aon Managed Core Retirement Pathway 2031-33 | -2.9                       | -3.8             |

The Aon Managed Core Retirement Pathway funds outperformed their market-based benchmark over the one-year period. The allocation to factor-based equities within both funds was the main driver of outperformance whilst sector tilts within the health care and information technology sectors within the climate transition equity fund also benefitted returns.

1. Returns displayed are gross of fees

### Custodial Arrangements

#### DB Section assets

The Trustee has appointed Northern Trust as custodian of the Plan's segregated assets managed by the relevant investment managers. 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 invested with SECOR (SECOR Hedged Equity Fund, - "SHEF") are held in a pooled fund 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 Northern Trust for ("SHEF")'s assets. The appointment and monitoring of the custodian for these funds is the responsibility of these investment managers.

Assets invested with Legal & General and SECOR Investment Management (LDI and FX overlays) are held in segregated accounts under custody with Northern Trust.

The cash held in connection with the administration of the Plan was held in the name of the Trustee with HSBC Bank plc until August 2021, after which the cash was held in a pooled client account of the administrator, Barnett Waddingham.

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

#### DC Section assets

Assets invested with Aon Investments Limited are held 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 appointment and monitoring of the custodian for these funds is the responsibility of the investment manager.

### 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 SECOR Investment Management (Hedged Equities), SECOR Investment Management (LDI Completion Overlay) and Legal & General (UK Government Bonds) an ad valorem fee applies.

Defined Contribution Section Investment Managers' fees are covered in detail on pages 74 to 76.

## The Trustee's Report

### 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 Trustee have produced the 2022 TCFD (Task Force on Climate-related Financial Disclosures) report for the Plan in accordance with requirements which stem from the following regulations; Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Amendment, Modification and Transitional Provision) Regulations 2022.

These requirements were approached through the lens of the Trustees' responsible investing beliefs, and time and resources have continued to be invested to improve oversight of climate-related risks and opportunities ("CRRO") and integrate these throughout the Plan's manager research and portfolio implementation activities. The Trustee believes its fiduciary objectives and responsible investing ambitions are aligned and has agreed on the Plan's objective to minimize carbon exposure where possible. As of 31 March 2023 the Plan had a strong funding ratio and a stable surplus. The Plan had de-risked twice in 2021 and a further de-risking step was carried out in June 2022. Due to the strong funding level, hedging programmes in places and the de-risking initiatives that have been implemented, the Plan's exposure to CRRO is considered to be low.

The Plan's 2022 TCFD report can be accessed online here;

<https://www.jacobsdouweegberts.com/about-us/united-kingdom>

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

## The Trustee's Report

### Approval of Trustee's Report

This report was approved by the Trustee on

Date: 19/10/2023

Signed on behalf of the Trustee:



Trustee Director



Trustee Director

19/10/2023

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

## Opinion

We have audited the financial statements of the Jacobs Douwe Egberts UK Pension Plan ("the Plan") for the year ended 31 March 2023 which comprise the fund account, the statement of net assets (available for benefits) and 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 2023, 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 3 and 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 are responsible for concluding on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

In our evaluation of the Trustee's conclusions, we considered the inherent risks associated with the Plan including effects arising from macro-economic uncertainties, such as rising interest and inflation rates and the cost-of-living crisis, we assessed and challenged the reasonableness of estimates made by the Trustee and the related disclosures and analysed how those risks might affect the Plan's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

### Conclusions relating to going concern (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Plan's ability to continue as a going concern for a period of at least twelve months from when the financial statements are approved by the Trustee.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. 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.

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 themselves. 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 Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 8, the Trustee is responsible for the preparation of the financial statements and 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 Trustee either intends to wind up the plan or has 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

### Auditor's responsibilities for the audit of the financial statements (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Plan and determined that the most significant are the Pensions Acts 1995 and 2004 and those that relate to the reporting frameworks (Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice "Financial Reports of Pension Schemes" 2018 ("the SORP")).
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations such as, the Pensions Regulator's Codes of Practice and relevant compliance regulations (including the Annual Pensions Bill and tax legislation) under which the Plan operates.
- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with management and the Trustee and from inspection of Trustee's board minutes and legal and regulatory correspondence. We enquired about the policies and procedures regarding compliance with laws and regulations with the Trustee.
- We assessed the susceptibility of the Plan's financial statements to material misstatement due to irregularities including how fraud might occur. We evaluated management's incentives and opportunities for manipulation of the financial statements and determined that the principal risks were in relation to the risk of management override of controls through posting inappropriate journal entries to manipulate net assets.
- Our audit procedures involved:
  - journal entry testing, with a focus on large manual journals to unusual account codes, including:
    - manual journals with unusual account combinations such as those between the Fund Account and the Statement of Net Assets; and
    - journals posted to suspense accounts.
  - obtaining independent confirmations of material investment valuations and cash balances at the year end.

In addition, we completed audit procedures to conclude on the compliance of disclosures in the report and financial statements with applicable financial reporting requirements.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

### Auditor's responsibilities for the audit of the financial statements (continued)

All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of schemes of a similar size and complexity, appropriate to their role within the team. The engagement team members are required to complete mandatory pensions sector training on an annual basis, thus ensuring they have sufficient knowledge of the sector and the underlying applicable legislation and related guidance.

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](http://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 Plan's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it 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 opinions we have formed.

*Grant Thornton UK LLP*

**Grant Thornton UK LLP**  
**Statutory Auditor**  
London

**Date:** 19/10/2023



## Summary of Contributions payable in the year

During the year, the contributions payable to the Plan by the Employer under the Schedule of Contributions were as follows:

|  | <b>£'000</b> |
|--|--------------|
| Employer other contributions   | 2,160        |
| Contributions payable under the Schedule of Contributions (as reported on by the Plan Auditor) | <u>2,160</u> |

Date: 19/10/2023

Signed on behalf of the Trustee:



Trustee Director



Trustee Director

19/10/2023

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

We have examined the summary of contributions to the Jacob Douwe Egberts UK Pension Plan ("the Plan") for the Plan year ended 31 March 2023 which is set out on page 23.

In our opinion contributions for the Plan year ended 31 March 2023 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 16 December 2021.

### Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the 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.

### Respective responsibilities of the trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 8, the Trustee is responsible for preparing, and from time to time reviewing and if necessary, revising a Schedule of Contributions and for monitoring whether contributions are made to the Plan by the employer in accordance with the Schedule of 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 Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it 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 Trustee as a body, for our work, for this statement, or for the opinions we have formed.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
**Statutory Auditor**  
London

**Date:** 19/10/2023

# The Financial Statements

## Fund Account

for the year ended 31 March 2023

|   | Note | 31 March 2023                    |                                       | 31 March 2022  |                |
|---|------|----------------------------------|---------------------------------------|----------------|----------------|
|   |      | Defined Benefit Section<br>£'000 | Defined Contribution Section<br>£'000 | Total<br>£'000 | Total<br>£'000 |
| <b>Contributions and benefits</b>                           |      |                                  |                                       |                |                |
| Employer contributions                                      |      | 2,160                            | -                                     | 2,160          | 3,453          |
| Employee contributions                                      |      | -                                | -                                     | -              | 157            |
| Total contributions   | 5    | 2,160                            | -                                     | 2,160          | 3,610          |
| Benefits paid or payable                                    | 6    | (51,782)                         | (188)                                 | (51,970)       | (50,820)       |
| Payments to and on account of leavers                       | 7    | (5,237)                          | (734)                                 | (5,971)        | (8,990)        |
| Administrative expenses                                     | 8    | (1,966)                          | -                                     | (1,966)        | (1,801)        |
| Other payments  | 9    | -                                | -                                     | -              | (32)           |
|   |      | (58,985)                         | (922)                                 | (59,907)       | (61,643)       |
| <b>Net withdrawals from dealings with members</b>           |      | (56,825)                         | (922)                                 | (57,747)       | (58,033)       |
| <b>Returns on investments</b>                               |      |                                  |                                       |                |                |
| Investment income   | 10   | 2,477                            | -                                     | 2,477          | 471            |
| Change in market value of investments                       | 11   | (320,619)                        | (337)                                 | (320,956)      | 86,008         |
| Investment management expenses                              | 12   | (2,124)                          | -                                     | (2,124)        | (2,851)        |
| <b>Net returns on investments</b>                           |      | (320,266)                        | (337)                                 | (320,603)      | 83,628         |
| <b>Net (decrease)/ increase in the fund during the year</b> |      | (377,091)                        | (1,259)                               | (378,350)      | 25,595         |
| Transfers between sections                                  | 25   | 1,324                            | (1,324)                               | -              | -              |
| <b>Net assets of the Plan</b>                               |      |                                  |                                       |                |                |
| <b>At 1 April</b>   |      | 1,749,328                        | 14,920                                | 1,764,248      | 1,738,653      |
| <b>At 31 March</b>  |      | 1,373,561                        | 12,337                                | 1,385,898      | 1,764,248      |

The notes on pages 27 to 43 form part of these financial statements.

## The Financial Statements

### Statement of Net Assets

available for benefits as at 31 March 2023

|  | Note | 31 March 2023                    |                                       |                | 31 March 2022  |
|--|------|----------------------------------|---------------------------------------|----------------|----------------|
|  |      | Defined Benefit Section<br>£'000 | Defined Contribution Section<br>£'000 | Total<br>£'000 | Total<br>£'000 |
| <b>Investment assets:</b>  |      |                                  |                                       |                |                |
| Bonds  | 11   | 823,146                          | -                                     | 823,146        | -              |
| Pooled investment vehicles                                       | 14   | 478,922                          | 12,326                                | 491,248        | 1,674,473      |
| Derivatives  | 15   | 53,270                           | -                                     | 53,270         | 39,417         |
| AVC investments  | 16   | 1,753                            | -                                     | 1,753          | 1,486          |
| Cash   | 17   | 45,846                           | -                                     | 45,846         | 68,851         |
| Other investment balances  | 18   | 14,659                           | -                                     | 14,659         | 21,885         |
|  |      | 1,417,596                        | 12,326                                | 1,429,922      | 1,806,112      |
| <b>Investment liabilities:</b>                                   |      |                                  |                                       |                |                |
| Derivatives  | 15   | (37,086)                         | -                                     | (37,086)       | (12,222)       |
| Other investment balances  | 18   | (8,546)                          | -                                     | (8,546)        | (34,220)       |
|  |      | (45,632)                         | -                                     | (45,632)       | (46,442)       |
| <b>Total net investments</b>                                     |      | 1,371,964                        | 12,326                                | 1,384,290      | 1,759,670      |
| <b>Current assets</b>  | 23   | 3,220                            | 15                                    | 3,235          | 6,879          |
| <b>Current liabilities</b>                                       | 24   | (1,623)                          | (4)                                   | (1,627)        | (2,301)        |
| <b>Net assets of the Plan at 31 March available for benefits</b> |      | 1,373,561                        | 12,337                                | 1,385,898      | 1,764,248      |

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 9 and 10 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 27 to 43 form part of these financial statements.

These financial statements were approved by the Trustee on

Date: 19/10/2023

Signed on behalf of the Trustee:



Trustee Director



Trustee Director

19/10/2023

# Notes to the Financial Statements

## 1. Basis of preparation

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

The Trustee continues to monitor the operation of the Plan and at this time has no significant concerns regarding the Plan's ongoing ability to fulfil its operational, cashflow, benefit payment requirements or responses to critical communications from its members.

The Trustee monitors the strength of the Sponsor on an ongoing basis and has assessed the ability of the Company to support the Plan for the 12 months after the date that the report and accounts are signed. As part of the assessment, the Trustee considered the strength of the Company balance sheet which focussed on Care, Continuity and Cash.

Having had due consideration of the above and having discussed with relevant parties, the Trustee considers that the Plan remains a going concern for the foreseeable future.

## 2. Identification of the financial statements

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

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 DB Section and a DC Section.

## 3. Accounting policies

The principal accounting policies of the Plan which are applied consistently are as follows:

### Currency

- The Plan functional and presentational currency is pounds sterling.

### Contributions

- Employer Other contributions are accounted for in accordance with the Schedule of Contributions.

### Payments to members

- Pensions in payment are accounted for in the period to which they relate.
- Benefits are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.
- Where members have a choice regarding the form and timing of their benefit, benefits are accounted for on an accruals basis on the later of the date of retiring or leaving and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retiring or leaving.
- Individual transfers out of the Plan are accounted for when member liability is discharged which is normally when the transfer amount is paid.

### Expenses and other payments

- Expenses are accounted for on an accruals basis.
- Investment management expenses and rebates are accounted for on an accruals basis and shown net within "Returns on investments". Transaction costs are included in the cost of purchases and sale proceeds.

### 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 pooled investment vehicles is accounted for when declared by the fund manager.
- Income arising from accumulation pooled investment vehicles is reflected within CIMV as it is retained within the value of the units in the funds.
- Income from cash and short-term deposits is accounted for on an accruals basis.
- Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income.

## Notes to the Financial Statements

### 3. Accounting policies (continued)

#### Investments

- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.
- Accrued interest is excluded from the market value of bonds and is included in investment income receivable.
- Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value ("NAV") determined in accordance with fair value principles, provided by the pooled investment manager.
- Bonds are stated at their clean prices. Accrued income is accounted for within "Investment income" and within "Investment income receivable" included as "Other investment balances".
- Over the counter ("OTC") derivatives are valued using the following valuation techniques:
  - i. Swaps – current value of future cash flows arising from the swap determined using discounted cash flow models and market data at the reporting date. 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. Net receipts or payments on swap contracts are reported within change in market value.
  - ii. Forward foreign exchange ("Forward FX") – the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- 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.

## Notes to the Financial Statements

### 4. Comparative disclosures for the Fund Account and Statement of Net Assets

The following table shows a split of the totals for the prior year included within the financial statements between the Defined Benefit and Defined Contribution Sections.

#### Fund Account

|   |      | Year ended<br>31 March 2022            |   |                |
|---|------|--|---|----------------|
|   | Note | Defined<br>Benefit<br>Section<br>£'000 | Defined<br>Contribution<br>Section<br>£'000 | Total<br>£'000 |
| <b>Contributions and benefits</b>                           |      |  |   |                |
| Employer contributions                                      |      | 3,435                                  | 18  | 3,453          |
| Employee contributions                                      |      | 11                                     | 146   | 157            |
| Total contributions   | 5    | 3,446                                  | 164   | 3,610          |
| Benefits paid or payable                                    | 6    | (49,170)                               | (1,650)                                     | (50,820)       |
| Payments to and on account of leavers                       | 7    | (6,209)                                | (2,781)                                     | (8,990)        |
| Administrative expenses                                     | 8    | (1,801)                                | -   | (1,801)        |
| Other payments  | 9    | (32)                                   | -   | (32)           |
|   |      | (57,212)                               | (4,431)                                     | (61,643)       |
| <b>Net withdrawals from dealings with members</b>           |      | (53,766)                               | (4,267)                                     | (58,033)       |
| <b>Returns on investments</b>                               |      |  |   |                |
| Investment income   | 10   | 471                                    | -   | 471            |
| Change in Market value of investments                       |      | 84,267                                 | 1,741                                       | 86,008         |
| Investment management expenses                              | 12   | (2,851)                                | -   | (2,851)        |
| <b>Net returns on investments</b>                           |      | 81,887                                 | 1,741                                       | 83,628         |
| <b>Net increase/ (decrease) in the fund during the year</b> |      | 28,121                                 | (2,526)                                     | 25,595         |
| Transfer between sections                                   | 25   | 2,780                                  | (2,780)                                     | -              |
| <b>Net assets of the Plan</b>                               |      |  |   |                |
| At the beginning of the year                                |      | 1,718,427                              | 20,226                                      | 1,738,653      |
| <b>At the end of the year</b>                               |      | 1,749,328                              | 14,920                                      | 1,764,248      |

## Notes to the Financial Statements

### 4. Comparative disclosures for the Fund Account and Statement of Net Assets (continued)

#### Statement of Net Assets

available for benefits as at 31 March 2022

|  | Note | Defined<br>Benefit<br>Section<br>£'000 | Defined<br>Contribution<br>Section<br>£'000 | Total<br>£'000 |
|--|------|--|---|----------------|
| <b>Investment assets:</b>                      |      |  |   |                |
| Bonds  | 11   | -                                      | -   | -              |
| Pooled investment vehicles                     | 14   | 1,659,949                              | 14,524                                      | 1,674,473      |
| Derivatives                                    | 15   | 39,417                                 | -   | 39,417         |
| AVC investments                                | 16   | 1,486                                  | -   | 1,486          |
| Cash   | 17   | 68,851                                 | -   | 68,851         |
| Other investment balances                      | 18   | 21,885                                 | -   | 21,885         |
|  |      | 1,791,588                              | 14,524                                      | 1,806,112      |
| <b>Investment liabilities:</b>                 |      |  |   |                |
| Derivatives                                    | 15   | (12,222)                               | -   | (12,222)       |
| Other investment balances                      | 18   | (34,220)                               | -   | (34,220)       |
|  |      | (46,442)                               | -   | (46,442)       |
| <b>Total net investments</b>                   |      | 1,745,146                              | 14,524                                      | 1,759,670      |
| <b>Current assets</b>                          | 23   | 6,417                                  | 462   | 6,879          |
| <b>Current liabilities</b>                     | 24   | (2,235)                                | (66)  | (2,301)        |
| <b>Total net assets available for benefits</b> |      | 1,749,328                              | 14,920                                      | 1,764,248      |



## Notes to the Financial Statements

### 5. Contributions

|                                    | Defined<br>Benefit<br>Section<br>£'000 | 2023<br>Defined<br>Contribution<br>Section<br>£'000 | Total<br>£'000 |
|------------------------------------|--|---|----------------|
| Employer contributions             |  |   |                |
| Normal                             | -                                      | -   | -              |
| Other                              | 2,160                                  | -   | 2,160          |
|                                    | 2,160                                  | -   | 2,160          |
| Employee contributions             |  |   |                |
| Normal                             | -                                      | -   | -              |
| Additional voluntary contributions | -                                      | -   | -              |
|                                    | -                                      | -   | -              |
|                                    | 2,160                                  | -   | 2,160          |
|                                    | 2,160                                  | -   | 2,160          |
|                                    |  | <b>2022</b>   |                |
| Employer contributions             |  |   |                |
| Normal                             | 1,239                                  | 18  | 1,257          |
| Other                              | 2,196                                  | -   | 2,196          |
|                                    | 3,435                                  | 18  | 3,453          |
| Employee contributions             |  |   |                |
| Normal                             | 11                                     | 10  | 21             |
| Additional voluntary contributions | -                                      | 136   | 136            |
|                                    | 11                                     | 146   | 157            |
|                                    | 3,446                                  | 164   | 3,610          |

Other contributions of £2,160,000 (2022: £2,196,000) relate to contributions towards expenses including Plan levies amounting to £90,000 (2022: £71,000).

## Notes to the Financial Statements

### 6. Benefits paid or payable

|  | Defined<br>Benefit<br>Section<br>£'000 | 2023<br>Defined<br>Contribution<br>Section<br>£'000 | Total<br>£'000 |
|--|--|---|----------------|
| Pensions   | 45,477                                 | -   | 45,477         |
| Commutation of pensions and lump sum retirement benefits | 6,048                                  | 134   | 6,182          |
| Lump sum death benefits                                  | 93                                     | 48  | 141            |
| Taxation where lifetime or annual allowance exceeded     | 164                                    | 6   | 170            |
|  | 51,782                                 | 188   | 51,970         |
|  |  | <b>2022</b>   |                |
| Pensions   | 42,750                                 | -   | 42,750         |
| Commutation of pensions and lump sum retirement benefits | 5,867                                  | 1,540   | 7,407          |
| Lump sum death benefits                                  | 362                                    | 39  | 401            |
| Taxation where lifetime or annual allowance exceeded     | 191                                    | 71  | 262            |
|  | 49,170                                 | 1,650   | 50,820         |

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Plan in exchange for the Plan's settling their tax liability.

### 7. Payments to and on account of leavers

|                                       | Defined<br>Benefit<br>Section<br>£'000 | 2023<br>Defined<br>Contribution<br>Section<br>£'000 | Total<br>£'000 |
|---------------------------------------|--|---|----------------|
| Individual transfers to other schemes | 5,237                                  | 734   | 5,971          |
|                                       |  | <b>2022</b>   |                |
| Individual transfers to other schemes | 6,209                                  | 2,781   | 8,990          |

## Notes to the Financial Statements

### 8. Administrative expenses

|   | Defined<br>Benefit<br>Section<br>£'000 | 2023<br>Defined<br>Contribution<br>Section<br>£'000 | Total<br>£'000 |
|---|--|---|----------------|
| Administration, actuarial and consultancy | 1,706                                  | -   | 1,706          |
| Audit fee                                 | 45                                     | -   | 45             |
| Legal and other professional fees         | 76                                     | -   | 76             |
| Trustee support                           | 49                                     | -   | 49             |
| Trustee fees and expenses                 | -                                      | -   | -              |
| Levies                                    | 90                                     | -   | 90             |
|   | 1,966                                  | -   | 1,966          |
|   |  | <b>2022</b>   |                |
| Administration, actuarial and consultancy | 1,505                                  | -   | 1,505          |
| Audit fee                                 | 41                                     | -   | 41             |
| Legal and other professional fees         | 140                                    | -   | 140            |
| Trustee support                           | 33                                     | -   | 33             |
| Trustee fees and expenses                 | 11                                     | -   | 11             |
| Levies                                    | 71                                     | -   | 71             |
|   | 1,801                                  | -   | 1,801          |

As shown in Note 5, the Principal Employer makes a contribution towards the cost of administrative expenses and levies payable by the Plan.

### 9. Other payments

|                                     | Defined<br>Benefit<br>Section<br>£'000 | 2023<br>Defined<br>Contribution<br>Section<br>£'000 | Total<br>£'000 |
|-------------------------------------|--|---|----------------|
| Premiums on term insurance policies | -                                      | -   | -              |
|                                     |  | <b>2022</b>   |                |
| Premiums on term insurance policies | 32                                     | -   | 32             |

## Notes to the Financial Statements

### 10. Investment income

|  | Defined<br>Benefit<br>Section<br>£'000 | 2023<br>Defined<br>Contribution<br>Section<br>£'000 | Total<br>£'000 |
|--|--|---|----------------|
| Income from bonds                      | 1,569                                  | -   | 1,569          |
| Income from pooled investment vehicles | 232                                    | -   | 232            |
| Annuity income                         | 19                                     | -   | 19             |
| Interest on cash deposits              | 657                                    | -   | 657            |
|  | 2,477                                  | -   | 2,477          |
|  |  | <b>2022</b>   |                |
| Income from bonds                      | 5                                      | -   | 5              |
| Income from pooled investment vehicles | 433                                    | -   | 433            |
| Annuity income                         | 18                                     | -   | 18             |
| Interest on cash deposits              | 15                                     | -   | 15             |
|  | 471                                    | -   | 471            |

### 11. Reconciliation of investments

|                                     | Value at<br>31 March<br>2022<br>£'000 | Purchases<br>at cost and<br>derivative<br>payments<br>£'000 | Sales<br>proceeds<br>and<br>derivative<br>receipts<br>£'000 | Change in<br>market<br>value<br>£'000 | Value at<br>31 March<br>2023<br>£'000 |
|-------------------------------------|---------------------------------------|---|---|---------------------------------------|---------------------------------------|
| <b>Not allocated to members</b>     |                                       |   |   |                                       |                                       |
| <b>Defined Benefit Section</b>      |                                       |   |   |                                       |                                       |
| Bonds                               | -                                     | 787,939   | -   | 35,207                                | 823,146                               |
| Pooled investment vehicles          | 1,659,949                             | 549,120   | (1,373,098)   | (357,049)                             | 478,922                               |
| Derivatives                         | 27,195                                | 42,962  | (54,728)  | 755                                   | 16,184                                |
| AVC investments                     | 1,486                                 | 924   | (1,130)   | 473                                   | 1,753                                 |
|                                     | 1,688,630                             | 1,380,945   | (1,428,956)   | (320,614)                             | 1,320,005                             |
| Cash deposits                       | 68,851                                |   |   | (5)                                   | 45,846                                |
| Other investment balances           | (12,335)                              |   |   |                                       | 6,113                                 |
|                                     | 1,745,146                             |   |   | (320,619)                             | 1,371,964                             |
| <b>Allocated to members</b>         |                                       |   |   |                                       |                                       |
| <b>Defined Contribution Section</b> |                                       |   |   |                                       |                                       |
| Pooled investment vehicles          | 14,524                                | 48  | (1,909)   | (337)                                 | 12,326                                |

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.

The Defined Contribution Section investments purchased by the Plan are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Plan administrator allocates investment units to members. Accordingly, the assets identified as designated to members in the net assets statement do not form a common pool of assets available for members generally. Members each receive an annual statement confirming the contributions paid on their behalf and the value for their money purchase rights.

## Notes to the Financial Statements

### 11. Reconciliation of investments (continued)

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.

Defined contribution assets are allocated to members and the Trustee as follows:

|         | 2023<br>£'000 | 2022<br>£'000 |
|---------|---------------|---------------|
| Members | 12,326        | 14,524        |
| Trustee | -             | -             |
|         | 12,326        | 14,524        |

### 12. Investment management expenses

|   | Defined<br>Benefit<br>Section<br>£'000 | 2023<br>Defined<br>Contribution<br>Section<br>£'000 | Total<br>£'000 |
|---|--|---|----------------|
| Administration, management, and custody | 1,027                                  | -   | 1,027          |
| Advisory                                | 1,097                                  | -   | 1,097          |
|   | 2,124                                  | -   | 2,124          |
|   |  | 2022  |                |
| Administration, management, and custody | 1,699                                  | -   | 1,699          |
| Advisory                                | 1,152                                  | -   | 1,152          |
|   | 2,851                                  | -   | 2,851          |

### 13. 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.

### 14. Pooled investment vehicles

The Plan's investments in pooled investment vehicles at the year-end comprised:

|                                     | 2023<br>£'000 | 2022<br>£'000 |
|-------------------------------------|---------------|---------------|
| <b>Defined Benefit Section</b>      |               |               |
| Liquidity                           | 375,276       | -             |
| Global equities                     | 103,646       | 141,539       |
| Bonds                               | -             | 177,394       |
| QIF                                 | -             | 1,341,016     |
|                                     | 478,922       | 1,659,949     |
| <b>Defined Contribution Section</b> |               |               |
| Multi-asset                         | 11,859        | 14,050        |
| Global equities                     | 467           | 474           |
|                                     | 12,326        | 14,524        |

The Multi-asset funds hold a variety of investments including equities and bonds.

## Notes to the Financial Statements

### 14. Pooled investment vehicles (continued)

In the prior year, the Fund invested in a Qualifying Investment Fund ("QIF"). The QIF was a pooled arrangement where the Plan was the only participant in the fund, to reduce the administrative burden to the Plan. The aim of the QIF was to assist the Plan to match its liabilities more closely by seeking to reduce the impact of future changes in interest and inflation rates. The underlying investments within the QIF comprised of:

|                                    | 2023  | 2022      |
|------------------------------------|-------|-----------|
|                                    | £'000 | £'000     |
| Fixed interest bonds               | -     | 351,293   |
| Index linked bonds                 | -     | 671,540   |
| Cash and other investment balances | -     | 318,183   |
|                                    | -     | 1,341,016 |

### 15. Derivatives

#### OBJECTIVES AND POLICIES

The Trustee has authorised the use of derivatives by their investment managers as part of their investment strategy for the Plan as follows:

Swaps – 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.

Forward FX – 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.

At the year end the Plan had the following derivatives:

|                      | 2023   |           | 2022   |           |
|----------------------|--------|-----------|--------|-----------|
|                      | Asset  | Liability | Asset  | Liability |
|                      | £'000  | £'000     | £'000  | £'000     |
| OTC Swaps            | 51,126 | (37,051)  | 38,816 | (11,951)  |
| Forward FX contracts | 2,144  | (35)      | 601    | (271)     |
|                      | 53,270 | (37,086)  | 39,417 | (12,222)  |

A summary of the Plan's outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

#### i. OTC Swaps

| Nature              | Notional amounts<br>£'000 | Expires     | Asset value<br>£'000 | Liability value<br>£'000 |
|---------------------|---------------------------|-------------|----------------------|--------------------------|
| Interest rate swaps | 21,200                    | < 1 year    | -                    | (667)                    |
| Interest rate swaps | 40,000                    | 2-5 years   | -                    | (1,463)                  |
| Interest rate swaps | 220,700                   | 5-10 years  | 348                  | (26,411)                 |
| Interest rate swaps | 10,000                    | 25-30 years | 38                   | -                        |
| Interest rate swaps | 18,000                    | 30-35 years | -                    | (7,638)                  |
| Interest rate swaps | 83,000                    | 35-40 years | 31,982               | -                        |
| Inflation swaps     | 45,000                    | 2-5 years   | 5,152                | -                        |
| Inflation swaps     | 89,000                    | 5-10 years  | 13,606               | -                        |
| Inflation swaps     | 10,000                    | 15-20 years | -                    | (401)                    |
| Inflation swaps     | 5,000                     | 20-25 years | -                    | (246)                    |
| Inflation swaps     | 18,000                    | 35-40 years | -                    | (225)                    |
| <b>Total 2023</b>   | <b>559,900</b>            |             | <b>51,126</b>        | <b>(37,051)</b>          |
| Total 2022          | 558,900                   |             | 38,816               | (11,951)                 |

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

## Notes to the Financial Statements

### 15. Derivatives (continued)

#### i. OTC Swaps (Continued)

At the year end the Plan held cash collateral of £11,075,000 (2022: £33,070,000) 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 £8,546,000 (2022: £3,680,000) 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.

#### ii. Forward FX

| Contract          | Settlement date | Currency Bought<br>(000) | Currency sold<br>(000) | Asset value<br>£'000 | Liability value<br>£'000 |
|-------------------|-----------------|--------------------------|------------------------|----------------------|--------------------------|
| Forward FX        | < 3 months      | £843                     | SEK 10,550             | 18                   | -                        |
| Forward FX        | < 3 months      | £2,766                   | CHF 3,080              | 20                   | -                        |
| Forward FX        | < 3 months      | £3,330                   | CAD 5,430              | 86                   | -                        |
| Forward FX        | < 3 months      | £8,590                   | EUR 9,720              | 24                   | -                        |
| Forward FX        | < 3 months      | £2,011                   | AUD 3,550              | 86                   | -                        |
| Forward FX        | < 3 months      | £67,528                  | USD 81,379             | 1,814                | -                        |
| Forward FX        | < 3 months      | £5,811                   | JPY 931,460            | 94                   | -                        |
| Forward FX        | < 3 months      | \$3,740                  | £3,053                 | 2                    | (35)                     |
| <b>Total 2023</b> |                 |                          |                        | 2,144                | (35)                     |
| Total 2022        |                 |                          |                        | 601                  | (271)                    |

### 16. Defined Benefit Section AVC investments

The Trustee holds assets invested separately from the main Defined Benefit Section investments to secure additional benefits on a money purchase basis for those Defined Benefit Section members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement made up to the Plan year end confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are fully allocated to members, and are as follows:

|  | 2023<br>£'000 | 2022<br>£'000 |
|--|---------------|---------------|
| Aviva (With Profits)                   | 118           | 84            |
| ReAssure (Unit Linked)                 | 698           | 518           |
| Prudential (With Profits)              | 22            | 22            |
| Utmost Life and Pensions (Unit Linked) | -             | 862           |
| Aegon (Unit Linked)                    | 885           | -             |
|  | 1,723         | 1,486         |

### 17. Cash

#### Defined Benefit Section

|                  | 2023           |                    | 2022           |                    |
|------------------|----------------|--------------------|----------------|--------------------|
|                  | Asset<br>£'000 | Liability<br>£'000 | Asset<br>£'000 | Liability<br>£'000 |
| Sterling         | 45,846         | -                  | 68,778         | -                  |
| Foreign currency | -              | -                  | 73             | -                  |
|                  | 45,846         | -                  | 68,851         | -                  |

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.

## Notes to the Financial Statements

### 18. Other investment balances

#### Defined Benefit Section

|                               | 2023           |                    | 2022           |                    |
|-------------------------------|----------------|--------------------|----------------|--------------------|
|                               | Asset<br>£'000 | Liability<br>£'000 | Asset<br>£'000 | Liability<br>£'000 |
| Investment income receivable  | 3,584          | -                  | -              | -                  |
| Outstanding settlements       | -              | -                  | 18,205         | (1,150)            |
| Amounts due from/(to) brokers | 11,075         | (8,546)            | 3,680          | (33,070)           |
|                               | <u>14,659</u>  | <u>(8,546)</u>     | <u>21,885</u>  | <u>(34,220)</u>    |

### 19. Fair value hierarchy

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

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e., developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e., for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Plan's investment assets and liabilities fall within the above hierarchy levels as follows:

| Defined Benefit Section             | As at 31 March 2023 |                  |                  | Total<br>£'000   |
|-------------------------------------|---------------------|------------------|------------------|------------------|
|                                     | Level 1<br>£'000    | Level 2<br>£'000 | Level 3<br>£'000 |                  |
| Bonds                               | -                   | 823,146          | -                | 823,146          |
| Pooled investment vehicles          | -                   | 478,922          | -                | 478,922          |
| Derivatives                         | -                   | 16,184           | -                | 16,184           |
| AVC investments                     | -                   | -                | 1,753            | 1,753            |
| Cash                                | 45,846              | -                | -                | 45,846           |
| Other investment balances           | 6,113               | -                | -                | 6,113            |
|                                     | <u>51,959</u>       | <u>1,318,252</u> | <u>1,753</u>     | <u>1,371,964</u> |
| <b>Defined Contribution Section</b> |                     |                  |                  |                  |
| Pooled investment vehicles          | -                   | 12,326           | -                | 12,326           |
|                                     | <u>875,105</u>      | <u>28,510</u>    | <u>480,675</u>   | <u>1,384,290</u> |

| Defined Benefit Section             | As at 31 March 2022 |                  |                  | Total<br>£'000   |
|-------------------------------------|---------------------|------------------|------------------|------------------|
|                                     | Level 1<br>£'000    | Level 2<br>£'000 | Level 3<br>£'000 |                  |
| Bonds                               | -                   | -                | -                | -                |
| Pooled investment vehicles          | -                   | 1,659,949        | -                | 1,659,949        |
| Derivatives                         | -                   | 27,195           | -                | 27,195           |
| AVC investments                     | -                   | -                | 1,486            | 1,486            |
| Cash                                | 68,851              | -                | -                | 68,851           |
| Other investment balances           | (12,335)            | -                | -                | (12,335)         |
|                                     | <u>56,516</u>       | <u>1,687,144</u> | <u>1,486</u>     | <u>1,745,146</u> |
| <b>Defined Contribution Section</b> |                     |                  |                  |                  |
| Pooled investment vehicles          | -                   | 14,524           | -                | 14,524           |
|                                     | <u>56,516</u>       | <u>1,701,668</u> | <u>1,486</u>     | <u>1,759,670</u> |



## Notes to the Financial Statements

### 20. Investment risk disclosures

#### Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks as follows:

- Credit risk – one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk – comprises the following three types of risk:
  1. Interest rate risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates
  2. Currency risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates
  3. Other price risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates and currency).

The Trustee is responsible for determining the Plan's investment strategy which is disclosed within Defined Benefit Assets on pages 13 and 14 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 Section

#### Credit risk

The Defined Benefit Assets are subject to direct credit risk because they hold cash balances (see Note 17) and 'over the counter' derivatives such as forward foreign exchange contracts (see Note 15) and exchange traded swaps. Credit risk arising on bonds held directly is mitigated by investing in government bonds where the credit risk is minimal. The swaps held by the Plan are centrally cleared and thus credit risk is minimised through daily margin movements taken from collateral balances held in accounts in the Plan's name on a daily basis (see Note 15.ii).

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, which was closed in November 2022 with the underlying assets transitioning into a segregated account custodied at Northern Trust, was via a life insurance policy issued by a subsidiary by Legal & General Investment Management. The remaining pooled investments held by the Plan are held within unit trusts.

#### Market risks

Indirect market risk arises if the underlying investments of the pooled investment vehicles (see Note 14) are exposed to interest rate or other price risks.

## Notes to the Financial Statements

### 20. Investment risk disclosures (continued)

#### Interest Rate Risk

The Plan is subject to indirect interest rate risk where some of the underlying investments are held in bonds, bond funds and interest rate swaps. 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 11, 15 and 17.

The Trustee has set a benchmark for total investments in bonds and liability hedging funds. 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 a hedged equity pooled fund. Under the Trustee's revised investment strategy, which was implemented in 2021, the target asset allocation to growth funds is 7.5%, with a maximum allocation of 12.5%. At 31 March 2023 the actual allocation to growth funds was 7.7% (2022: 8.1%).

The Plan manages this exposure to overall price movements by 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 hedged equity fund. To limit this currency risk, the Trustee hedges non sterling developed market currencies in the hedged equity allocation based on weights determined by the MSCI All Countries World Index via an FX hedging overlay. The allocation 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.

### 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 underlying funds managed by Aon as follows:

|                         | Indirect credit risk | Currency risk | Interest rate risk | Other price risk |
|-------------------------|----------------------|---------------|--------------------|------------------|
| Equity funds            | -                    | ✓             | -                  | ✓                |
| Bonds funds             | ✓                    | -             | ✓                  | ✓                |
| Cash funds              | ✓                    | -             | ✓                  | ✓                |
| Managed Lifestyle funds | ✓                    | ✓             | ✓                  | ✓                |

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.

## Notes to the Financial Statements

### 21. Concentration of investments

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

|   | 2023    |      | 2022      |      |
|---|---------|------|-----------|------|
|   | £'000   | %    | £'000     | %    |
| Legal & General QIF                     | -       | -    | 1,341,016 | 76.0 |
| M&G All Stocks Corporate Bond Fund      | -       | -    | 177,394   | 10.1 |
| SECOR Hedged Equity Fund                | 103,646 | 7.5  | 141,539   | 8.0  |
| Legal & General Sterling Liquidity Fund | 375,276 | 27.1 | -         | -    |

### 22. Employer related investment

As of 31 March 2023 and 31 March 2022, less than 5% of the Plan's assets were invested in securities issued by the Principal Employer or its affiliates. Therefore the 5% limit had not been breached as at 31 March 2023 or 31 March 2022.

### 23. Current assets

|  | Defined | 2023         | Total |
|--|---------|--------------|-------|
|  | Benefit | Defined      |       |
|  | Section | Contribution |       |
|  | £'000   | Section      | £'000 |
| Contributions due from Employer in respect of: |         |              |       |
| Employers                                      | 180     | -            | 180   |
| Prepayments                                    | 972     | -            | 972   |
| Cash balances                                  | 2,068   | 15           | 2,083 |
| Cash in transit                                | -       | -            | -     |
|  | 3,220   | 15           | 3,235 |
|  |         |              |       |
|  |         | 2022         |       |
| Contributions due from Employer in respect of: |         |              |       |
| Employers                                      | 180     | -            | 180   |
| Prepayments                                    | 4       | 6            | 10    |
| Cash balances                                  | 6,233   | 408          | 6,641 |
| Cash in transit                                | -       | 48           | 48    |
|  | 6,417   | 462          | 6,879 |

Contributions due to the Plan at the year end have been paid subsequent to the year end in accordance with the Schedule of Contributions.

All assets of the defined contribution section are allocated to members.

## Notes to the Financial Statements

### 24. Current liabilities

|  | Defined<br>Benefit<br>Section<br>£'000 | 2023<br>Defined<br>Contribution<br>Section<br>£'000 | Total<br>£'000 |
|--|--|---|----------------|
| Accrued benefits                       | 341                                    | 4   | 345            |
| Taxation payable                       | 375                                    | -   | 375            |
| Accrued expenses                       | 499                                    | -   | 499            |
| Investment management expenses payable | 408                                    | -   | 408            |
|  | 1,623                                  | 4   | 1,627          |
|  |  | <b>2022</b>   |                |
| Accrued benefits                       | 571                                    | 66  | 637            |
| Taxation payable                       | 368                                    | -   | 368            |
| Accrued expenses                       | 499                                    | -   | 499            |
| Investment management expenses payable | 797                                    | -   | 787            |
|  | 2,235                                  | 66  | 2,291          |

All liabilities of the defined contribution section are allocated to members.

### 25. Transfers between sections

|                                  | <b>2023</b>         |                     |
|----------------------------------|---------------------|---------------------|
|                                  | DB Section<br>£'000 | DC Section<br>£'000 |
| Transfer of assets from DC to DB | 1,324               | (1,324)             |
|                                  |                     | <b>2022</b>         |
|                                  | DB Section<br>£'000 | DC Section<br>£'000 |
| Transfer of assets from DC to DB | 2,780               | (2,780)             |

Transfers between sections relate to the transfer of members' Defined Contribution Section benefits to the Defined Benefit Section, prior to the amalgamated payment to the members.

### 26. Related party transactions

One Trustee Director is a deferred member of the Plan. Two Trustee Directors are pensioner members of the Plan.

Fees and expenses paid directly to the Trustee Directors by the Plan for their services are disclosed in note 8.

During the year the Employer directly paid Trustee Directors fees totalling £56,877 (2022: £46,904).

## Notes to the Financial Statements

### 27. Contingent liabilities

#### GMP equalisation

As explained on page 7 in the Trustee's report, on 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits.

The Trustee 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. Any adjustments necessary will be recognised in the financial statements in future years. At the date of signing these financial statements it is not possible to estimate the value of any such adjustments.

An allowance has been made for GMP equalisation in the actuarial valuation, see pages 9 and 10 of the Annual Report for more details.

#### Historic transfers out

On 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that defined benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee will consider next steps as the scheme has experienced significant historical transfers out which will be subject to adjustment as a result of this second ruling. Any adjustments necessary will be recognised in the financial statements in future years. At the date of signing these financial statements it is not possible to estimate the value of any such adjustments.

#### Ruling on amendment of Contracted-Out Salary-Related pension schemes

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993. We do not know at this stage whether the case will be appealed but, as matters stand, the case has the potential to cause significant issues in the pensions industry. The Trustee will investigate the possible implications with its advisers but, it is not possible at present to estimate the potential impact, if any, on the Plan.

# Certificate of Adequacy of Contributions



## Certificate Of Schedule Of Contributions

Name of the Plan

Jacobs Douwe Egberts UK Pension Plan

### Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this SOC are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be 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 29 November 2021.

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

Name

Chris Sheppard

Date of signing

16 December 2021

Qualification

Fellow of the Institute and Faculty of Actuaries

Name of employer

Mercer Limited

Address

One Christchurch Way  
Woking  
Surrey, GU21 6JG

# Implementation Statement

## 1. Background

From 1 October 2020 trustees of pension plans with 100 or more members are required to include an Implementation Statement in their annual report and accounts. The objective of this requirement is to demonstrate that plan assets have been invested in accordance with the Statement of Investment Principles ("SIP") over the plan year. The Implementation Statement contains details of how, and the extent to which, the SIP has been followed during the year, as well as details of any review of the SIP during the year, subsequent changes made (with an explanation for any changes), and the date of the last SIP review. The Implementation Statement also includes a description of the voting behaviour during the year by, and on behalf of, the Trustee.

## 2. Adherence to SIP

The objectives for the Defined Benefit (DB) and Defined Contribution (DC) sleeves of the Jacobs Douwe Egberts UK Pension Plan are summarised below, with full details in Appendix A.

The key objectives for the DB Section of the Plan can be summarised as follows:

- To achieve and maintain a funding level of at least 100% on an ongoing basis
- To maintain at least full funding on a Technical Provisions basis

The Trustee Board can confirm that both of these objectives were achieved over the reporting period (1 April 2022 to 31 March 2023).

The primary objectives for the DC Section of the Plan are:

- To provide members with access to an appropriate range of investment options
- To provide members with access to a reasonable default option

The Trustee Board can confirm that both of these objectives were achieved over the reporting period (1 April 2022 to 31 March 2023).

## 3. Details of SIP Review

The SIP was updated in August 2022 to reflect the decision by the Trustee to further de-risk the Plan by liquidating the Credit asset class (which was part of matching assets), which reduced the target excess return over gilts. There were no changes to the objectives for the DC Section of the Plan, or to the Stewardship and Engagement Policy.

## 4. Voting and Engagement Policy

The SIP includes the following section outlining policies regarding the exercise of rights and the undertaking of engagement activities and monitoring/engagement of investment managers during the year:

## Implementation Statement

### 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.

## 5. Compliance with Policy

Over the Plan year (1 April 2022 to 31 March 2023), Plan assets were invested in accordance with the SIP policy.

The Trustee has reviewed the Plan's investment managers on their engagement activities for the year and confirms that:

- 100% of in-scope managers have proxy voting procedures in place
- 100% of in-scope managers participate in industry collaborations including the UN principles for Responsible Investing and the UK Stewardship Code

## 6. Description of Proxy Voting Policies and Proxy Voting Behaviour

The tables below summarise the proxy voting policies and proxy voting behaviour of the Plan's eligible managers (i.e., those with investments eligible for proxy voting). Details of each fund's "10 most significant votes" over the year can be shared upon request.

Table 1: Proxy voting behaviour of the DC default investment option

| Aon Managed Core Retirement Pathways             | Section | Proxy Advisory Service | % proposals voted | % votes cast against management | % votes abstained |
|--|---------|------------------------|-------------------|---------------------------------|-------------------|
| <b>Aon Managed Core Retirement Pathway Funds</b> |         |                        |                   |                                 |                   |
| Member 30 years from retirement                  | DC      | Yes                    | 95%               | 11%                             | 0%                |
| Member at retirement <sup>1</sup>                | DC      | Yes                    | 95%               | 11%                             | 0%                |

1. Figures shown reflect proportion of the portfolio with equity-voting rights



## Implementation Statement

### 6. Description of Proxy Voting Policies and Proxy Voting Behaviour (continued)

Table 2: Proxy voting behaviour of the DC self-select fund range

| Self-Select Fund Range                                    | Section | Proxy Advisory Service | % proposals voted | % votes cast against management | % votes abstained |
|---|---------|------------------------|-------------------|---------------------------------|-------------------|
| Aon Managed Global Equity Fund                            | DC      | Yes                    | 100%              | 17%                             | 1%                |
| Aon Managed Active Global Equity Fund                     | DC      | Yes                    | 98%               | 3%                              | 0%                |
| Aon Managed Global Impact Fund                            | DC      | Yes                    | 99%               | 18%                             | 1%                |
| Aon Managed Initial Growth Phase Fund <sup>1</sup>        | DC      | Yes                    | 98%               | 16%                             | 1%                |
| Aon Managed Core Initial Growth Phase Fund                | DC      | Yes                    | 95%               | 11%                             | 0%                |
| Aon Managed Property and Infrastructure Fund <sup>1</sup> | DC      | Yes                    | 87%               | 8%                              | 0%                |
| Aon Managed Diversified Asset Fund <sup>1</sup>           | DC      | Yes                    | 100%              | 19%                             | 1%                |
| Aon Managed Core Diversified Asset Fund                   | DC      | Yes                    | 95%               | 11%                             | 0%                |
| BlackRock UK Equity Index Fund                            | DC      | Yes                    | 96%               | 5%                              | 1%                |
| BlackRock World ex-UK Equity Index Fund                   | DC      | Yes                    | 95%               | 6%                              | 0%                |
| BlackRock Emerging Market Index Fund                      | DC      | Yes                    | 98%               | 11%                             | 3%                |
| HSBC Islamic Global Equity Index Fund                     | DC      | Yes                    | 96%               | 18%                             | 1%                |
| LGIM Ethical Global Equity Index Fund                     | DC      | Yes                    | 100%              | 18%                             | 0%                |

1. Figures shown reflect proportion of the portfolio with equity-voting rights

## Implementation Statement

### Appendix A: DB and DC Section Objectives

The following wording in the SIP outlines the objectives for the DB and DC sections of the Plan:

#### DB Section investment objectives

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

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

- a) *The Trustee has set an objective to invest in such a manner that benefits and entitlements can be paid when they fall due. To achieve this, the Trustee is aiming to achieve and maintain a funding level of at least 100% on an ongoing basis, as advised periodically by the Plan Actuary. The Trustee pursues investment strategies which offer a reasonable probability that funding will be at or above its desired level over the lifetime of its members.*
- b) *The Trustee has also set an objective to pay benefits and entitlements in full by maintaining at least full funding on a Technical Provisions basis. This valuation basis (using a Gilts-based investment return assumption plus a target excess return over Gilts of 31 basis points per annum net of fees) is considered appropriate for the purposes of setting investment strategy because this approach effectively "prices" the liability cash flows in a manner consistent with financial markets. Moreover, assets equal to the present value of projected liability cash flows on this basis would be expected to be sufficient to cover all future benefit payments as long as the return hurdle over Gilts is achieved, ignoring the uncertainties introduced by demographic factors.*
- c) *To achieve the target excess return to Gilts in (b), the Trustee is prepared to take on some risk in a controlled manner by investing in equities and potentially other return enhancing asset classes, and by using active investment managers, where considered appropriate, in the management of the Plan's assets.*

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

#### DC Section investment objectives

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

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

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

# Statement of Investment Principles

## Jacobs Douwe Egberts UK Pension Plan

### Statement of Investment Principles – August 2022

#### 1. Introduction

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

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

#### Background

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

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

#### 2. Process for choosing investments

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



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

### **2.1 DB Section Investments**

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

### **2.2 DC Section investments**

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

## **3. Investment objectives**

### **3.1 DB Section investment objectives**

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

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

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

## Statement of Investment Principles

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

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

### 3.2 DC Section investment objectives

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

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

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

## 4. Risk management and measurement

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

### 4.1 DB Section risk management and measurement

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



## Statement of Investment Principles

- 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.

## Statement of Investment Principles

- 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.



## Statement of Investment Principles

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

### 4.2 DC Section risk management and measurement

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

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



## Statement of Investment Principles

- 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.

## Statement of Investment Principles

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

### 5. Investment strategy

#### 5.1 DB Section investment strategy

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

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

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

|  |                     |
|--|---------------------|
| <b>Target Return</b>                   | Gilts + 31 bps p.a. |
| <b>Target Funded Status Volatility</b> | 80bps p.a.          |

#### Risk and Return Assumptions

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

#### 5.2 DC Section investment strategy

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

##### 5.2.1 Pure DC members

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

## Statement of Investment Principles

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

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

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

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

### 5.2.2 DB guarantee members

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

### 5.2.3 All DC members

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

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



## Statement of Investment Principles

### 6. Day-to-day management of the assets

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

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

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

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

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

### 7. Additional assets

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

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

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

- Cash
- With-profit

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

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

## Statement of Investment Principles

### 8. Realisation of investments

#### 8.1 DB Section investments

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

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

#### 8.2 DC Section investments

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

### 9. ESG

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

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

### 10. Stewardship and engagement policy

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

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

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

## Statement of Investment Principles

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



## Statement of Investment Principles

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

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

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

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

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

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

### **12.5 The length of arrangements with investment managers.**

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

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

## **13. Compliance with this Statement**

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


## Statement of Investment Principles

### 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: 31 August 2022

  
 Trustee Director: Roger Broadberry Date: 31 August 2022

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

  
 Director: Dave Jones Date: 31 August 2022

  
 Director: Daniel Bethell Date: 22<sup>nd</sup> September 2022

**On behalf of the Principal Employer**



## Statement of Investment Principles

### 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.

## Statement of Investment Principles

### 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.

## Statement of Investment Principles

### 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:



## Statement of Investment Principles

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

### 3. Default options

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

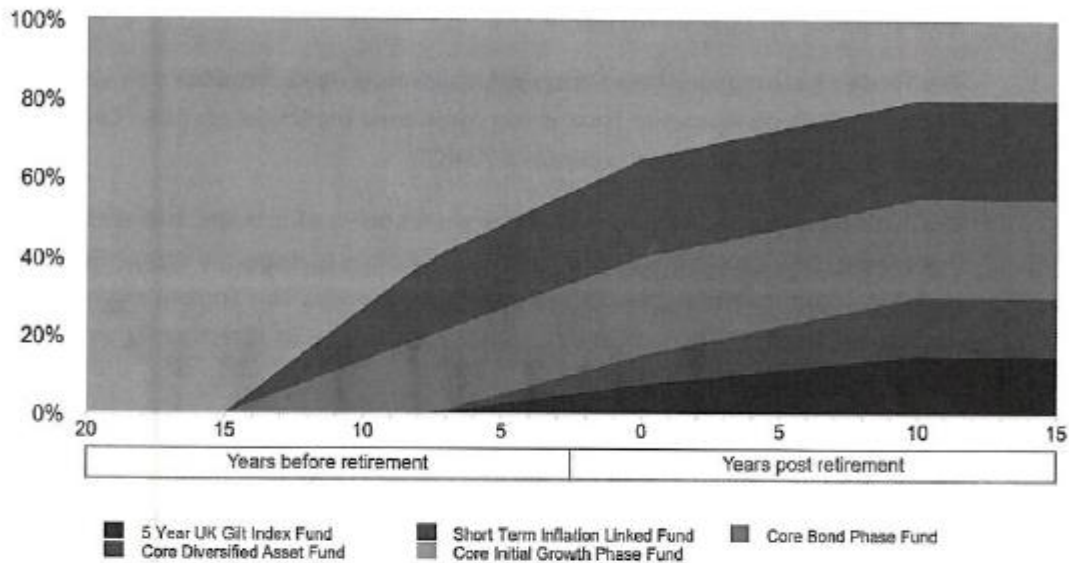
- Kinds of investments to be held;
- Balance between different kinds of investments;
- Investment risks;
- Expected return on investments net of fees;
- Realisation of investments; and
- Socially Responsible Investment, Corporate Governance and Voting Rights.

#### 3.1 Pure DC members

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

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



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

### 3.2 DB guarantee members

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

## 4. ESG

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

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

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

## Statement of Investment Principles

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



## Statement of Investment Principles

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

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

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

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

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

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

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

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

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

### **6.5 The length of arrangements with investment managers.**

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

## Statement of Investment Principles

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.



# DC Governance Statement

## 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 that members can select or have assets in, such as self-select funds);
- The requirements for processing core 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 2022 to 31 March 2023. 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>

## 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 2023

The default arrangement in place for pure DC members and members with a Defined Benefit (DB) guarantee is the Aon Managed Core Retirement Pathway Funds, which are a range of target retirement date funds that are designed for members who plan to drawdown their retirement savings by taking a flexible income at retirement. The aims and objectives of the default arrangement are as follows: 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 shifting members’ asset allocation to lower risk investments, and to have an asset allocation at the target retirement date that is appropriate and consistent with how most members are expected to take their retirement savings.

## DC Governance Statement

### The default investment arrangement over the period to 31 March 2023 (continued)

The Trustee monitors the strategy and performance of the default arrangements for members with DC benefits in the JDE UK Legacy Section on a quarterly basis and conducts a formal review at least every three years. The default strategy and performance were not formally reviewed during the period covered by this statement. The performance and strategy of the default arrangement for members with a DB guarantee were last formally reviewed on 3 July 2020 and 18 August 2020, respectively. The performance review of the default arrangement for members with a DB guarantee showed that investment performance was significantly below the stated objective. The strategy review considered the need for an appropriate balance between a reasonable investment strategy for members that take DC benefits and the extra risk to the Plan if the option of the DB guarantee is exercised. The Trustee approved the recommendation of the investment advisor to change the strategy of the default arrangement for members with a DB guarantee from a diversified growth fund with an objective of outperforming cash by 5% to a drawdown lifestyle strategy that is aligned with the default arrangement for pure DC members. The expected benefit to members from this change is an improvement in expected investment performance relative to the amount of risk taken and a higher likelihood of achieving the stated objectives of the default arrangement as member's DC pots will be invested in a risk-profile that is appropriate for the number of years they have remaining until retirement. The change in the default arrangement for members with a DB guarantee was implemented in November 2021.

The Trustee last reviewed the performance and strategy of the default arrangement for pure DC members on 15 January 2021. The investment performance of the default arrangement was assessed against the objective of generating returns significantly above inflation whilst members are some distance from retirement. A comparison was also made with the performance of alternative default options available in the market. The Trustee was satisfied that the performance objective of the default arrangement was achieved. Performance was also favourable when compared to alternative default arrangements available in the market. The Trustee and their investment advisor also reviewed the strategy of the default arrangement with a focus on its objectives of gradually reducing risk as members approach their target retirement date and to have an asset allocation at the target retirement date that is appropriate and consistent with how most members are expected to take their retirement savings. While the strategy achieved its aim of reducing risk as members approached retirement it did so in an inefficient and outdated manner. Target date fund (TDF) structures offer the same lifestyle approach of reducing risk nearer to retirement but are implemented more efficiently. Under a TDF structure members choose their target retirement date and are invested with a fund that moves its asset allocation along the path to the chosen date. Not only is this more efficient operationally but it also allows members to benefit from the latest innovations and thinking around pension investment and strategy as changes can be made within the fund. The Trustee and their investment advisor concluded that outcomes for members could be improved by taking the following actions: moving to a default arrangement with a target date fund structure, inclusion of tactical asset allocation, continued de-risking of assets post-retirement. To achieve the desired strategy improvements the Trustee moved the underlying investments of the default arrangement to a fund that is better aligned with the aims and objectives outlined in the SIP. After completing a comprehensive review of options available in the market, the Plan's investment advisor recommended that the default arrangement for pure DC members be replaced by the Aon Managed Core Retirement Pathway Funds. This change was implemented for pure DC members and members with a DB guarantee in November 2021.

The Statement of Investment Principles (SIP) for the Plan was revised on August 2023 to reflect an updated DB investment strategy. Further details of the Trustee's policies regarding the default arrangements are set out in the Plan's SIP, which is included in pages 49 to 70.

## DC Governance Statement

### Investment options available to members

In addition to the current default, the Aon Managed Core Retirement Pathway Funds, which targets flexible drawdown at retirement, pure DC members can also choose two additional strategies depending on a preference to target either a cash withdrawal at retirement or an annuity purchase at retirement. The Aon target date fund options available to pure DC members to invest in are outlined below.

| Target benefit strategies                            | Description   |
|--|---|
| Aon Managed Core Retirement Pathway Funds (Default)  | <p>This option will also be used where pure DC members do not make a choice as to where their contributions are invested.</p> <p>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). The Funds will invest in a portfolio of assets which will aim to predominantly include passively managed funds over the lifetime of the strategy but may also include actively managed funds.</p> <p>For members with more than fifteen years left to their selected retirement age, all their savings and contributions will be invested in Global Equity funds.</p> <p>When members are closer to retirement (less than 15 years away) risk will automatically be reduced by gradually decreasing<sup>1</sup> the amount of money invested in Global Equities (higher risk investment) and increasing the amount invested in lower risk Diversified Growth, Fixed Income and Cash investments.</p> |
| Aon Managed Core Retirement Pathway to Annuity Funds | <p>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. The Funds will invest in a portfolio of assets which will aim to predominantly include passively managed funds over the lifetime of the strategy but may also include actively managed funds.</p> <p>For members with more than fifteen years left to their selected retirement age, all their savings and contributions will be invested in Global Equity funds.</p> <p>When members are closer to retirement (less than 15 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 Diversified Growth, Conventional gilts, Index-Linked gilts, Investment Grade Corporate Bonds, and Cash investments.</p>   |
| Aon Managed Core Retirement Pathway to Cash Funds    | <p>This option is designed for members who plan to take their entire retirement savings as cash at their selected retirement age. The Funds will invest in a portfolio of assets which will aim to predominantly include passively managed funds over the lifetime of the strategy but may also include actively managed funds.</p> <p>For members with more than fifteen years left to their selected retirement age, all their savings and contributions will be invested in Global Equity funds.</p> <p>When members are closer to retirement (less than 15 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, Conventional gilts, Index-Linked gilts, Investment Grade Corporate Bonds, and Cash investments.</p>   |

<sup>1</sup> See appendix A for chart detailing the changes in allocations over time

## DC Governance Statement

### Investment options available to members (continued)

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   |
|--|---|
| Aon Managed Diversified Asset Fund                       | The fund aims to outperform its cash benchmark by 3.25% per annum, over a rolling market cycle. The Fund aims to achieve this by investing in a diversified portfolio of assets which can include actively and passively managed funds and which will provide exposure to a range of different assets at any one time. Investments in this fund are of moderate risk. |
| Aon Managed Long Term Inflation Linked Fund              | The fund aims to track the performance of the FTSE UK Gilts Index-Linked Over 5 Years index, which provides broad exposure to UK gilts, by investing in a range of funds that provide exposure to longer dated UK index linked gilts. Investments in UK index linked gilts are relatively low risk.   |
| Aon Managed Pre-Retirement Bond Fund                     | The fund aims to track the performance of a traditional level annuity product by investing in a range of funds that provide exposure to Sterling assets that reflect the broad characteristics of investments underlying the pricing of a typical level annuity product. Investments in this fund are relatively low risk.  |
| Aon Managed Liquidity Fund                               | The fund aims to preserve capital and to achieve an income consistent with short term money market interest rates (rate earned holding cash or investments very similar to cash) in sterling by investing in one or more short term (sterling denominated money market) funds. Investments in the short term money market are very low risk.                          |
| Aegon BlackRock Emerging Markets Equity Index (BLK) Fund | The fund aims to track the performance of the MSCI Global Emerging Markets Index, which provides broad exposure to emerging markets equities. Investments in emerging markets equities are relatively very high risk.   |
| Aegon BlackRock World (Ex-UK) Equity Index (BLK) Fund    | The fund aims to track the performance of the FTSE All world Developed (ex-UK) Index, which provides broad exposure to developed markets equities. Investments in developed markets equities are relatively high risk.  |
| Aegon BlackRock UK Equity Index (BLK) Fund               | The fund aims to track the performance of the FTSE All Share index, which provides broad exposure to UK equities. Investments in UK equities are relatively high risk.  |

Members with a DB guarantee have their funds invested in the Aon Managed Core Pathways Funds. 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.

## DC Governance Statement

### 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, Barnett Waddingham.

The Plan has been closed to future accrual since 30 June 2021, so no member or employer contributions have been made. However, Barnett Waddingham have processed transfers in and out of the Plan, transfers of assets between different investments within the Plan and payments to members.

The Plan has service level agreements (SLA) in place with the administrators in relation to the financial transactions which cover the following:

- For a member switching investments, the agreed service standard with Barnett Waddingham is 5 working days. There were no requests to switch investments during the Plan year;
- For transfer of member assets out of the Plan the agreed service standard is 10 working days from receipt of all documentation. Transfers of DC assets out of the Plan during the Plan year were completed within the agreed service standard; and,
- The monthly payroll was completed on time and right first time for each month of the Plan year.

The Trustee receives quarterly administration reports from the administrators which are used to monitor the overall quality of the administration and compliance with the SLA within in the period. 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.

Regarding the administrator's control procedures which govern the accuracy of their processes, the administrator employs a Service Auditor to provide assurance over the internal processes and controls detailed in their annual report on their internal controls (AAF01/20 and ISAE 3402). The report covering the period 1 April 2022 to 31 March 2023 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.

### 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. When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

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

## DC Governance Statement

### Member borne charges and transaction costs (continued)

In addition to the ongoing 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.

Jacobs Douwe Egberts 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 ongoing charges and transaction costs as at 31 March 2023. The figures in this section have been supplied by Aon, the Plan's investment manager. 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 the investment funds within the DC Plan expressed as an annual percentage of a member's pension pot. The default arrangement for pure DC members and members with a DB guarantee is shown in bold.

| Fund   | Transaction Costs (A) | AFE (B)      | AMC (C)      | OCF (B)+(C)  | Total Costs Borne by Member (A)+(B) |
|--|-----------------------|--------------|--------------|--------------|-------------------------------------|
| <b>Aon Managed Core Retirement Pathway Funds (Default)</b> | <b>0.05%</b>          | <b>0.01%</b> | <b>0.16%</b> | <b>0.17%</b> | <b>0.06%</b>                        |
| Aon Managed Core Retirement Pathway to Annuity Funds       | 0.04%                 | 0.01%        | 0.16%        | 0.17%        | 0.05%                               |
| Aon Managed Core Retirement Pathway to Cash Funds          | 0.04%                 | 0.01%        | 0.16%        | 0.17%        | 0.05%                               |
| Aon Managed Diversified Asset Fund                         | 0.17%                 | 0.02%        | 0.33%        | 0.35%        | 0.19%                               |
| Aon Managed Long Term Inflation Linked Fund                | 0.07%                 | 0.00%        | 0.17%        | 0.17%        | 0.07%                               |
| Aon Managed Pre-Retirement Bond Fund                       | 0.01%                 | 0.00%        | 0.29%        | 0.29%        | 0.01%                               |
| Aon Managed Liquidity Fund                                 | 0.01%                 | 0.03%        | 0.27%        | 0.30%        | 0.04%                               |
| Aegon BlackRock Emerging Markets Equity Index (BLK) Fund   | 0.00%                 | 0.05%        | 0.20%        | 0.25%        | 0.05%                               |
| Aegon BlackRock World (Ex-UK) Equity Index (BLK) Fund      | 0.01%                 | 0.01%        | 0.05%        | 0.06%        | 0.02%                               |
| Aegon BlackRock UK Equity Index (BLK) Fund                 | 0.05%                 | 0.01%        | 0.05%        | 0.06%        | 0.06%                               |

## DC Governance Statement

### Member borne charges and transaction costs (continued)

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) |
|--|-----------------------|------------|-------------|-------------|-------------------------------------|
| <b>Aon Managed Core Retirement Pathway Funds (Default)</b> | <b>£55</b>            | <b>£10</b> | <b>£160</b> | <b>£170</b> | <b>£65</b>                          |
| Aon Managed Core Retirement Pathway to Annuity Funds       | £41                   | £10        | £160        | £170        | £51                                 |
| Aon Managed Core Retirement Pathway to Cash Funds          | £38                   | £10        | £160        | £170        | £48                                 |
| Aon Managed Diversified Asset Fund                         | £168                  | £20        | £330        | £350        | £188                                |
| Aon Managed Long Term Inflation Linked Fund                | £70                   | £0         | £170        | £170        | £70                                 |
| Aon Managed Pre-Retirement Bond Fund                       | £9                    | £0         | £290        | £290        | £9                                  |
| Aon Managed Liquidity Fund                                 | £14                   | £30        | £270        | £300        | £44                                 |
| Aegon BlackRock Emerging Markets Equity Index (BLK) Fund   | £0                    | £50        | £200        | £250        | £50                                 |
| Aegon BlackRock World (Ex-UK) Equity Index (BLK) Fund      | £12                   | £10        | £50         | £60         | £22                                 |
| Aegon BlackRock UK Equity Index (BLK) Fund                 | £51                   | £10        | £50         | £60         | £61                                 |

### Examples demonstrating the cumulative impact of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member's pensions savings can reduce the amount available at retirement. 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 50 years old and have a pot size of £40,000. 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.



## DC Governance Statement

### Examples demonstrating the cumulative impact of charges and transaction costs (continued)

The illustrations are shown for the default arrangement (the Aon Managed Core Retirement Pathway Fund) 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 that members have opted to invest in. The self-select funds shown in the illustration are:

- The fund with the highest annual member borne costs– this is the Aegon BlackRock UK Equity Index (BLK) Fund
- The fund with the lowest annual member borne costs – this is the Aegon BlackRock World (Ex-UK) Equity Index (BLK) 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. All projected illustrations assume that no further contributions are made as the Plan is closed to future accrual.
4. The projected annual returns used are as follows is as follows:
  - a. Aon Managed Core Retirement Pathway Fund: 3.0% above inflation for members 15 years or more from retirement
  - b. Aegon BlackRock UK Equity Index (BLK) Fund: 3.0% above inflation for members 15 years or more from retirement
  - c. Aegon BlackRock World (Ex-UK) Equity Index (BLK) Fund: 3.0% above inflation
  - d. No allowance for active management has been made

**Youngest member (aged 30)** – The projection is for 35 years, being the duration that a 30 year old member has until they reach the Plan's normal pension age of 65.

| Year End | Most Popular for Pure DC members                    |                                    | Lowest charge   |                                    | Highest Charge                             |                                    |
|----------|---|------------------------------------|---|------------------------------------|--|------------------------------------|
|          | Aon Managed Core Retirement Pathway Funds (Default) |                                    | Aegon BlackRock World (Ex-UK) Equity Index (BLK) Fund |                                    | Aegon BlackRock UK Equity Index (BLK) Fund |                                    |
|          | Before charges                                      | After all charges + costs deducted | Before charges  | After all charges + costs deducted | Before charges                             | After all charges + costs deducted |
| 1        | £3,092  | £3,090                             | £3,090  | £3,090                             | £3,092                                     | £3,090                             |
| 3        | £3,283  | £3,277                             | £3,279  | £3,277                             | £3,283                                     | £3,277                             |
| 5        | £3,487  | £3,476                             | £3,480  | £3,476                             | £3,486                                     | £3,476                             |
| 10       | £4,053  | £4,027                             | £4,037  | £4,028                             | £4,052                                     | £4,027                             |
| 15       | £4,711  | £4,666                             | £4,682  | £4,667                             | £4,709                                     | £4,666                             |
| 20       | £5,476  | £5,406                             | £5,431  | £5,407                             | £5,472                                     | £5,406                             |
| 25       | £6,215  | £6,115                             | £6,300  | £6,265                             | £6,359                                     | £6,264                             |
| 30       | £7,050  | £6,915                             | £7,308  | £7,259                             | £7,390                                     | £7,257                             |
| 35       | £7,998  | £7,819                             | £8,477  | £8,411                             | £8,588                                     | £8,408                             |



## DC Governance Statement

### Examples demonstrating the cumulative impact of charges and transaction costs (continued)

**Typical member (aged 50)** - The projection is for 15 years, being the duration that a typical member, aged 50, has until they reach the Plan's normal pension age of 65.

|          | Most Popular for Pure DC members                    |                                    | Lowest charge   |                                    | Highest Charge (DB underpin default)       |                                    |
|----------|---|------------------------------------|---|------------------------------------|--|------------------------------------|
|          | Aon Managed Core Retirement Pathway Funds (Default) |                                    | Aegon BlackRock World (Ex-UK) Equity Index (BLK) Fund |                                    | Aegon BlackRock UK Equity Index (BLK) 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        | £41,039   | £41,012                            | £41,205   | £41,196                            | £41,220                                    | £41,195                            |
| 3        | £43,162   | £43,079                            | £43,725   | £43,696                            | £43,774                                    | £43,694                            |
| 5        | £45,396   | £45,249                            | £46,399   | £46,347                            | £46,485                                    | £46,345                            |
| 10       | £51,498   | £51,167                            | £53,821   | £53,701                            | £54,022                                    | £53,696                            |
| 15       | £58,421   | £57,858                            | £62,430   | £62,222                            | £62,781                                    | £62,213                            |

### Net return on investments

The Trustee is required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges, for all the funds members are invested in over the year to 31 March 2023.

The table below shows the net performance, net of all charges and transaction costs borne by the member, of the current default investment strategy.

| Default Fund                        | Member Age | One-year net returns | Net Returns Since Inception (From 1 December 2021) |
|-------------------------------------|------------|----------------------|--|
| Aon Managed Core Retirement Pathway | 55         | -2.9%                | -6.1%  |
| Aon Managed Core Retirement Pathway | 25 & 45    | 0.6%                 | -1.1%  |

Members 15 years or more from retirement are invested in the growth stage of the Aon Managed Core Retirement Pathway funds. Therefore, the expected return is expected to be the same for members aged 25 & 45. The inception date of the default funds is 1 December 2021 and therefore longer-term performance is not available.

The table below shows the performance, net of all charges and transaction costs borne by the member, for the additional self-select funds that members were invested in as of 31 March 2023.

| Self-Select Fund   | One-year net returns | Net Returns Since Inception (From 1 December 2021) |
|--|----------------------|--|
| Aegon BlackRock Emerging Markets Equity Index            | -6.3%                | -10.4%   |
| Aegon BlackRock UK Equity Index                          | 2.3%                 | 7.1%   |
| Aegon BlackRock World (ex-UK) Equity Index               | -1.3%                | -2.7%  |
| Aon Managed Core Retirement Pathway to Annuity 2025-2027 | -5.2%                | -8.7%  |
| Aon Managed Core Retirement Pathway to Cash 2019-2021    | 2.2%                 | 2.2%   |

The inception date of the self-select funds is 1 December 2021 and therefore longer-term performance is not available.

## DC Governance Statement

### 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 plans;
- 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 employer pays the majority of the ongoing 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. To further enhance value for members, the default arrangement moved from a drawdown lifestyle strategy to the Aon Managed Core Retirement Pathway Funds in November 2021. As the employer pays the majority of the costs and charges on behalf of members the increase in value from the move arises from improvements in design of the default arrangement, additional layers of governance, and a broader range of investment options. The Trustee believes that the current default arrangement and range of self-select investment options are well designed and align with the interests of members.

As detailed in the previous section covering processing of financial transactions, the Trustee is satisfied with the quality and efficiency of the administration processes. The Trustee devotes resources to ensure effective communication with members. The Investment and Funding Committee, a sub-committee of the Trustee, regularly reviews 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.

### 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.

## DC Governance Statement

### Trustee knowledge and understanding (continued)

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.

During this Plan year, Trustee training focused on several investment and administrative initiatives in relation to the objectives of the Scheme's business plan and Regulator requirements.

Training conducted in the 2022/2023 Plan year by the Plan's actuarial, investment and administration advisers included:

- TPR Single Code of Practice: Governance requirements
- Liability Driven Investment: risk analysis and potential regulation
- Draft DB Code of Practice: potential requirements and implications
- Task Force on Climate related Financial Disclosures ("TCFD") reporting 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.

Considering the knowledge and experience of the Trustee, the ongoing training and evaluation of the Trustee's Directors with the specialist advice received from the appointed professional advisors (e.g., investment consultants, legal advisors), the Trustee believes it is well placed to properly exercise its functions as Trustee of the Plan.

Date: 19/10/2023

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



Chair of the Trustee