MCCAIN FOODS (GB) LIMITED PENSION AND LIFE ASSURANCE SCHEME

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Scheme Registration Number: 100025973

Contents

Trustees, Principal Employer and Advisers

Trustees

Employer-nominated Trustees

G Dent (Chairman)
D James
I Pennock
B Puri (appointed 15 January 2020)
H Snape (resigned 15 January 2020)
G Stott

Member-nominated Trustees

A Bennett
A Sarney
D Shackley

Secretary to the Trustees

Mercer Limited

Principal Employer

McCain Foods (GB) Limited

Scheme Actuary

S Davies, FIA
Lane Clark and Peacock LLP

Independent Auditors

PricewaterhouseCoopers LLP

Administrator

McCain Foods (GB) Limited Pensions Department

Fiduciary Manager

Willis Towers Watson Limited

Investment Managers

Bain Capital
GMO UK Limited
Insight Investment
Legal & General Investment Management
Old Mutual Wealth Life Assurance Limited (removed 11 June 2020)
Robeco Asset Management
State Street Global Advisors
Willis Towers Watson Limited
First Statement Investment Management (UK) Limited (appointed 21 January 2020)

Investment Custodian

State Street Bank and Trust Company

Investment Adviser

Lane Clark and Peacock LLP

Additional Voluntary Contribution (AVC) Provider

Prudential Assurance Company Limited

Bank

National Westminster Bank

Legal Adviser

Eversheds LLP

Accountants

Mercer Limited

Contact for further information about the Scheme

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Introduction

The Trustees of the McCain Foods (GB) Limited Pension and Life Assurance Scheme (the Scheme) are pleased to present their report together with the audited financial statements for the year ended 30 June 2020. The Scheme was a hybrid scheme, comprising a Defined Benefit Section and a Defined Contribution (Retirement Savings Plan) Section. Contributions to the Defined Contribution Section ceased from 30 November 2019 and on 11 June 2020 all members and funds from this section were transferred to the Aviva MasterTrust arrangement and the Scheme became a defined benefit scheme from that date.

Constitution

The Scheme is governed by a Definitive Trust Deed and Rules, dated 1 July 2011, as amended.

Management of the Scheme

Trustees

The Trustees who served during the year are listed on page 1.

In accordance with the Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 2006, members have the option to nominate and vote for Member-nominated Trustees.

The three (2019: four) Member-nominated Trustees, as shown on page 1, are nominated by the members under the rules notified to the members of the Scheme. They may be removed before the end of their term only by agreement of all the remaining Trustees, although their appointment ceases if they cease to be members of the Scheme. Upon the resignation of R Holden in April 2019, the Trustees agreed with the Company not to seek a replacement, therefore amending the terms of their Member Nominated Trustee arrangements.

In accordance with the trust deed, the Principal Employer, McCain Foods (GB) Limited, has the power to appoint and remove the other Trustees of the Scheme.

Statement of Trustees' Responsibilities

The Statement of Trustees' Responsibilities is set out on page 31 and forms part of this Trustees' Report.

Governance and risk management

The Trustees have in place a business plan which sets out their objectives in areas such as administration, investment and communication. This, together with a list of the main priorities and timetable for completion, helps the Trustees run the Scheme efficiently and serves as a useful reference document.

The Trustees have also focused on risk management. A risk register has been put in place which sets out the key risks to which the Scheme is subject along with the controls in place to mitigate these. This register is regularly reviewed and updated by the Trustees.

Trustee knowledge and understanding

The Pensions Act 2004 requires trustees to have sufficient knowledge and understanding of pensions and trust law and be conversant with the Scheme documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter which became effective from 6 April 2006 and which was revised and reissued in November 2009. The Trustees undertake regular training to enable them to meet these requirements.

Principal Employer

The Scheme is provided for all eligible employees of the Principal Employer whose registered address is McCain Foods (GB) Limited, Havers Hill, Scarborough, North Yorkshire, YO11 3BS.

Financial development

The financial statements on pages 34 to 47 have been prepared and audited in accordance with the Regulations made under Section 41 (1) and (6) of the Pensions Act 1995. They show that the value of the fund increased from £329,119,188 at 30 June 2019 to £367,705,059 at 30 June 2020.

The increase shown above comprised net withdrawals from dealings with members of £11,143,166 together with net returns on investments of £49,729,037.

Report on actuarial liabilities

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

The most recent full actuarial valuation of the Scheme was carried out as at 30 June 2017. Updated estimates were produced as at 30 June 2018 and 30 June 2019. The results of the actuarial valuation and subsequent updates were as follows:

	Actuarial Valuation 30 June 2017	Actuarial Update 30 June 2018	Actuarial Update 30 June 2019
The value of Technical Provisions was	£331.7m	£339.7m	£372.1m
The value of assets was	£271.9m	£276.5m	£310.5m
Deficit	(£59.8m)	(£63.2m)	(£61.6m)

Method

The Scheme Actuary used the Projected Unit Method to calculate liabilities.

Significant Actuarial Assumptions

The principal actuarial assumptions for the valuation as at 30 June 2017 were:

Rate of price inflation	
RPI	3.40% p.a.
CPI	2.40% p.a.
Rate of return from gilts	1.80% p.a.
Rate of return above gilts from equities and other return-seeking assets	2.85% p.a.
Resultant discount rates	
post-retirement	1.80% p.a.
pre-retirement	4.65% p.a.
Rate of increases in salaries above CPI inflation	0.5% p.a. above CPI plus promotional scale
Rate of pension increases	
CPI inflation capped at 5% pa	2.40% p.a.
CPI inflation capped at 2.5% pa	2.00% p.a.
Mortality	- 115% of the S2NA tables; and - allowance being made for improvements in line with the "CMI 2016" extended model from 2007 with a smoothing parameter of 7.5 and a long-term improvement rate of 1.5% p.a., based on each member's actual date of birth.

An actuarial valuation of the Scheme as at 30 June 2020 is currently underway.

Impact of Covid-19 on the Scheme

During and subsequent to the Scheme's year-end, the scale and spread of Covid-19 (Coronavirus) Virus worldwide and the actions taken by the governments affected has caused, and will continue to cause, disruption to almost all sectors and financial markets. As a result, there was a dramatic downturn in global markets in March 2020.

In response to the Covid-19 pandemic, the Trustees switched to virtual meetings in mid-March 2020 with business conducted as normal.

The Trustees continued to receive frequent updates on investment performance and the Scheme funding level as well as more frequent updates from the Sponsor on the impact of the pandemic on its finances, enabling them to monitor changes in the covenant.

In March and again in April 2020, the Trustees reviewed practical steps that it might be appropriate to take in response to the pandemic in the context of investment, governance and funding considerations. Following these reviews a small number of changes were made to processes and procedures. In addition, communications were issued to members providing reassurance that the Scheme was well positioned to manage through the pandemic.

The bulk transfer of accrued DC funds to the Aviva MasterTrust was deferred due to market volatility resulting from the pandemic, with the Trustees closely monitoring the situation and only proceeding with the transfer once markets had returned to some level or normality.

Membership

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

Defined Benefit Section

	Actives	Deferreds	Pensioners	Total
At 1 July 2019	793	1,250	1,409	3,452
Adjustments	-	-	1	1
Retirements	(35)	(48)	83	-
Leavers with deferred benefits	(74)	74	-	-
Deaths	(2)	(3)	(36)	(41)
Transfers out	(1)	(6)	-	(7)
Spouses and dependants	-	-	9	9
Pensions commuted for cash	-	-	(1)	(1)
At 30 June 2020	681	1,267	1,465	3,413

Defined Contribution Section

	Actives	Deferreds	Total
At 1 July 2019	812	466	1,278
Adjustments	(2)	(1)	(3)
New entrants	54	-	54
Retirements	(4)	(6)	(10)
Leavers with deferred benefits	(852)	852	-
Deaths	(2)	-	(2)
Leavers with refunds	(4)	-	(4)
Transfers out	(2)	(12)	(14)
Bulk transfer out	-	(1,299)	(1,299)
At 30 June 2020	-	-	-

Pensioners include 192 beneficiaries (2019: 194) receiving a pension.

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

Pension increases

The Scheme does not increase pensions built up before 6 April 1997 in excess of Guaranteed Minimum Pensions. It does apply increases to Guaranteed Minimum Pensions built up between 6 April 1988 and 5 April 1997 and ex-Everest pensions. Ex-Everest pensions built up before April 1997 increase at a flat rate of 3% per year.

The Scheme increases pensions in payment built up after 5 April 1997 in line with statutory requirements, based on the previous September's consumer price index (CPI) increase (subject to a maximum of 5.0% up to 5 April 2005 and 2.5% thereafter). The CPI increased by 1.7% in the year to September 2019. Therefore the Scheme increased pensions in payment built up between 5 April 1997 and 5 April 2005 by 1.7% and those built up after 5 April 2005 by 1.7% from 1 April 2020. In addition the Scheme increased some AVC pensions and Everest executive pensions in line with agreements with members. It did not pay any discretionary increases in excess of statutory requirements.

The Scheme increased deferred pensions in line with statutory requirements.

Calculation of transfer values

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

Guaranteed Minimum Pension (GMP) equalisation

In October 2018, the High Court determined that benefits provided to members who had contracted out of the state second pension must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 between men and women. In November 2020, a further ruling by the High Court determined that transfers out of a scheme in respect of members who had contracted out of the state second pension must also be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 between men and women. The Trustees are now reviewing, with its advisers, the implication of this ruling on the Scheme. As soon as this review is finalised and any liability quantified, a communication will be issued to affected members.

Investment management

General

The Trustees are responsible for the administration and management of the Scheme's assets. They decide on the Scheme's investment strategy.

For the Defined Benefit Section (DB Section), Willis Towers Watson (WTW), the fiduciary manager for the Scheme, makes day-to-day investment decisions, including asset allocation (within limits agreed with the Trustees) and appointment of investment managers. WTW invests only in pooled funds.

For the Defined Contribution Section (DC Section), members could choose to invest in a 'lifecycle' fund or they could choose their own investments from a range of 9 funds held with Old Mutual Wealth. The 'lifecycle' fund invested in UK and overseas companies' shares and diversified growth fund through the McCain Growth fund until 10 years before a member's chosen retirement age. It would then automatically and gradually switch every 6 months into the McCain Annuity fund and the Cash fund. All funds from the DC Section were transferred out on 11 June 2020.

Investment principles

The Trustees have produced a Statement of Investment Principles (SIP) in accordance with Section 35 of the Pensions Act 1995. A copy of the SIP is appended to these financial statements. The main priority of the Trustees when considering the investment policy for the Defined Benefit Section is to ensure that the promises made about members' pensions may be fulfilled. The main priority of the Trustees when considering the investment policy for the Defined Contribution Section was to make available investment funds which serve to meet the varying investment needs and risk tolerances of the members.

Responsible investment and corporate governance

The Trustees believe that good stewardship and environmental, social and governance (ESG) issues may have a material impact on investment returns. The Trustees have given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments.

Similarly, the Scheme's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Equity managers who are regulated by appropriate UK (or other relevant) authorities are expected to report on their adherence to the UK Stewardship Code on an annual basis.

Implementation statement

McCain Foods (GB) Limited Pension & Life Assurance Scheme
Statement of Investment Principles - Annual Implementation Statement

Scheme year ending 30 June 2020

1 Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustees of the McCain Foods (GB) Limited Pension & Life Assurance Scheme ("the Scheme") covering the scheme year to 30 June 2020 ("the year"). The purpose of this statement is to:

- detail any reviews of the Statement of Investment Principles (SIP) the Trustees have undertaken, and any changes made to the SIP over the year as a result of the review;
- set out the extent to which, in the opinion of the Trustees, the Scheme's Statement of Investment Principles ("SIP") required under section 35 of the Pensions Act 1995 has been followed during the year;
- set out the extent to which, in the opinion of the Trustees, the engagement policy under the SIP has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustees over the year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme's DB assets on a discretionary basis. The Fiduciary Manager's discretion is subject to guidelines and restrictions set by the Trustees. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies and principles set out in the Trustees' SIP.

A copy of this Implementation Statement will be made available on the following website [add website].

2 Review and changes to the SIP

The SIP was reviewed and updated once in the year. The versions in place were dated:

1. January 2019
2. September 2019

The SIP was updated as at September 2019 in relation to new Department for Work and Pensions (DWP) regulations coming into force from 1 October 2019 – amendments covered:

- How financially material considerations are taken into account over the appropriate time horizon of the investments, including in the selection, retention and realisation of investments.
- The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments.
- Policies in relation to stewardship, including engagement with firms and exercise of voting rights.

- Policies in relation to undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters).

For the purpose of assessing how the Scheme's SIP has been followed, the remainder of this statement specifically focusses on the SIP agreed in September 2019. All elements that were included in the previously agreed SIP remained in the September 2019 SIP.

In addition to the SIP changes over the year, in order to comply with the requirements of The Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2019 ("the Regulations") and The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 ("the Order") the Trustee agreed additional objectives with the Fiduciary Managers in October 2019. The objective is to provide advice consistent with the Trustees' financial goals, with due consideration given to member security, time horizon, return, willingness and ability to bear financial risk.

The DC section of the Scheme was transferred to the Aviva Master Trust on 11 June 2020.

Subsequent changes to the SIP

Since the scheme year-end, further changes to the SIP have been made to comply with additional legislative requirements that need to be addressed by 1 October 2020. The changes relate to updated requirements to have a policy on voting and engagement with investee companies, investment manager remuneration, charges and costs and duration of the arrangements with investment managers. This SIP was adopted by the Trustees in September 2020. These new requirements will be reported on fully in the Implementation Statement covering the 2020/21 scheme year.

3 Adherence to the SIP

DB Section

The Trustees believe the SIP has been followed during the year. Specifically:

Investment objective

As outlined in the SIP, the Trustee has three key objectives which are ultimately focused on ensuring that the Scheme has sufficient assets to pay benefits to its beneficiaries as and when they fall due. No changes were made to these objectives during the year.

Investment strategy

The Trustees have received advice on an investment strategy aimed at maximising the chances of achieving its objectives. The investment strategy was formally reviewed as at August 2018 following the 2017 triennial actuarial valuation. The Trustees monitor progress relative to its objectives on a quarterly basis as outlined below.

The Trustees' investment strategy seeks to outperform a benchmark based on a projection of the Scheme's liability cashflows. The liability benchmark is updated following each actuarial valuation, and when there is any significant change to the structure of the Scheme's liabilities. The benchmark was last updated following the Actuarial Valuation in 2017.

The Fiduciary Manager monitored the Scheme's funding position on a daily basis via its Asset and Liability Suite software, and reviewed the Scheme's investments and managers on a regular basis throughout the year to ensure that the investment strategy remained consistent with the Scheme's objectives. On a quarterly basis, the Trustees reviewed the Scheme's asset allocation, funding position and progress relative to the journey plan (the projected path to achieve the Scheme's objective), and measures of the expected return and risk of the Scheme's portfolio to ensure that these remained broadly consistent with the Scheme's objectives.

The Trustees have implemented a dynamic risk framework whereby the Scheme's funding position is monitored relative to agreed upside and downside triggers which are used to indicate if the Scheme is sufficiently ahead of or behind the journey plan to warrant reviewing or changing the Scheme's investment strategy (eg. the Scheme may be in a position to reduce investment risk or the investment time horizon on breaching an upside trigger). Throughout the year, the Fiduciary Manager monitored the Scheme's funding position and progress relative to the triggers on a daily basis using its proprietary system, the Asset Liability Suite. No triggers were breached during the year.

Risks

The Trustees have put in place an Integrated Risk Management Framework which seeks to identify, manage and monitor risks which could negatively impact the Scheme’s ability to meet its funding objectives. This framework incorporates funding, covenant and investment factors and is ultimately used to form the Scheme’s investment strategy. In relation to investment factors, the Trustees have identified a number of risks which it seeks to manage and monitor, in conjunction with the Fiduciary Manager. Solvency and mismatch risk, investment manager risk, liquidity risk, and interest rate and inflation risks have been discussed above in the relevant sections on investment strategy and investment managers. The Fiduciary Manager reported to the Trustees on each of these risks in quarterly meeting papers which were discussed at the Trustees’ quarterly meetings.

In addition to these risks, the Trustees also seek to measure and manage:

- Currency risk: some of the Trustees’ investments are denominated in a different currency to the Scheme’s liabilities which creates a mismatch. The Fiduciary Manager managed the Scheme’s exposure to foreign currencies within guidelines set by the Trustee. The Fiduciary Manager left a proportion of the Scheme’s foreign currency exposure unhedged for diversification and return perspective. The Fiduciary Manager monitored the Scheme’s unhedged exposures on a regular basis.
- Custodial risk: the Scheme is exposed to the risk that any assets held on the custodian’s balance sheet could be lost if the custodian was to become insolvent. The Trustees addressed this by investing in pooled funds where the Scheme’s assets are held by a separate custodian appointed by the manager. In addition, any uninvested cash was swept into a pooled cash fund at the custodian where the assets are held off the custodian’s balance sheet. In addition, the Fiduciary Manager’s specialist research team reviews the custodian on a periodic basis.
- Political risk: the Trustees recognises that the value of the Scheme’s assets may be impacted by political regimes and actions, particularly in less established/ more opaque markets. Throughout the year, the Scheme’s portfolio remained well diversified by geography, and managed within geographical constraints specified in Fiduciary Manager’s guidelines. The Fiduciary Manager considers political risk when determining whether to allocate capital to an investment and also in determining the relative sizing of an investment.

Asset allocation

The Trustees believe in diversification and the Scheme’s portfolio is built using a diverse range of return-seeking assets and a dedicated allocation to liability driven investments which seek to match the sensitivity of the Scheme’s liabilities to inflation and interest rates. Implementation of this strategy is delegated to the Fiduciary Manager who manages the balance of these investments within guidelines set by the Trustees; including asset allocation, manager diversification, and foreign currency exposure. No changes were made to the guidelines during the year. The Fiduciary Manager is required to report any breach of these guidelines to the Trustees. No breaches were reported during the year.

Whilst the Scheme’s primary objective is to outperform the Liabilities, over the year the Trustees have also considered performance of the Scheme’s assets relative to a secondary benchmark of 60% globally diversified equities and 40% UK investment grade corporate bonds.

Investment manager arrangements

Throughout the year, the Fiduciary Manager regularly monitored the performance of the Scheme’s investment managers. Performance was monitored relative to an appropriate market benchmark where one was available or an appropriate return objective where a market benchmark was not available. In addition, the Fiduciary Manager assessed the performance of the Scheme’s investment managers relative to peers and in the context of the prevailing market environment. On a forward-looking basis, past performance is only one input into the Fiduciary Manager’s assessment of an investment manager, which relies predominantly on research views based on a range of qualitative and quantitative factors, including the consideration of Sustainable Investing (“SI”) / Environmental, Social and Governance (“ESG”) factors as outlined below. Whilst there were some changes to the underlying investment managers, no managers were terminated based on short term performance alone. Consistent with the Scheme’s long investment time horizon, the Trustees seek to be a long-term investor and the Fiduciary Manager has appointed managers (in the majority of cases) with the expectation of a long-term relationship.

The Trustees received quarterly monitoring reports from the Fiduciary Manager. Performance shown in these reports is based on performance reporting provided by the Scheme’s Independent Performance Measurer, State Street. These reports are included for scrutiny and discussion at the Trustees’ quarterly meetings. The reports include details of short-, medium- and longer-term performance relative to benchmarks/targets for all funds as well as commentary on an exceptions’ basis regarding performance with significant deviation from benchmark/target.

Over the year, the only significant change to the portfolio was the removal of the emerging market sovereign credit manager. This was primarily due to the fund closing down and in reaction to the COVID pandemic and additional need for liquidity in March 2020 following a liquidity spike in markets.

Liquidity of holdings

The Trustees have a policy to ensure that the Scheme's cashflow requirements can be readily met without disrupting its investments. The Fiduciary Manager maintains a liquidity buffer within the portfolio, the size of which is regularly reviewed against the Scheme's cash flow requirements. The Fiduciary Manager can make adjustments to the Scheme's allocation to cash when necessary within guidelines set by the Trustees – for example, during the period of heightened market volatility in Q1 2020, the Fiduciary Manager increased the amount of cash held in the portfolio relative to normal market conditions to ensure that the Scheme had sufficient collateral to maintain its liability hedge ratio. The Trustees monitored the cashflows into and out of the Scheme, and the portfolio liquidity on a quarterly basis. The Trustees also believe that they can to a certain extent take advantage of the premium which may be available for holding illiquid assets. The Trustees have set limits in the investment guidelines to ensure there is sufficiently liquid for meeting the Scheme's cashflows

Social, environmental and ethical factors

As set out above, the Trustees have delegated responsibility to the Fiduciary Manager to implement the Trustees' agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection) in compliance with Sections 34 and 36 of the Pensions Act. As such the Fiduciary Manager is also responsible for managing the sustainability of the portfolio and how ESG factors are allowed for in the portfolio.

Consistent with the Trustees' view that ESG factors can have a significant impact on investment returns, particularly over the long-term, the Fiduciary Manager believes that sustainable investment (SI) forms the cornerstone of successful long-term investment and has fully embedded the consideration of ESG factors in its processes. In June 2019 just prior to the Scheme year in question, the Trustees received training from the Fiduciary Manager on its approach for SI and also provided detailed reporting from a sustainable investing point of view for each of the underlying managers.

The Fiduciary Manager's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The Fiduciary Manager has a dedicated Sustainable Investment resource and a network of subject matter experts. The consideration of ESG issues is fully embedded in the investment manager selection and portfolio management process, with oversight undertaken on an ongoing basis. Whilst noting there may be limitations for each investment manager and asset strategy, the Fiduciary Manager expects investment managers to have ESG processes that align with the investment risk and return characteristics of the strategy. Where an investment manager's processes are deemed insufficient by the Fiduciary Manager and the investment manager does not take steps to improve their approach, the investment manager's position in the portfolio may be reviewed and/or a decision may be taken not to proceed with an investment.

The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Fiduciary Manager takes into account in the assessment.

The Fiduciary Manager reviews the SI characteristics of the highest-rated managers (such as those included in the Scheme's portfolio) on an annual basis.

DC section

Risk

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustees by the Scheme's investment managers. These include credit risk, equity risk, currency risk, ESG risk and counterparty risk.

With regard to the risk of:

- Inadequate returns – the Trustees make use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default lifecycle option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term. deterioration in investment conditions near retirement – the Trustees made use of a default lifecycle strategy which automatically changes members' asset allocations into lower risk assets as they approach their selected retirement age.
- Unsuitable investments – the Trustees made available nine different funds covering all major asset classes, namely: equities, bonds, cash and diversified growth funds. There were no changes to the fund range over the year.

- Excessive charges – the Trustees undertook a value for members' assessment in November 2019 which assessed the fees payable to managers in respect of the DC section which were found to be reasonable when compared against schemes with similar sizes mandates.

Investment objectives

As part of the performance and strategy review of the DC default arrangement in December 2019 the Trustees considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme.

The outcome of this analysis was in line with the previous default strategy review outcome, which was that should the move to the Master Trust not proceed, the Trustees should make changes to the arrangements which would be in the best interests of the majority of the DC Section members and reflect the demographics of those members. The move to the Aviva Master Trust was concluded before the end of the Scheme year.

Prior to the move to the Aviva Master Trust, the Trustees provided members with access to an appropriate range of diversified investment options. The Trustees made available a lifecycle strategy and a "do it yourself" fund range to members covering all major asset classes as set out in Defined Contribution Section of SIP.

Investment manager arrangements

It is the Trustees' policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustees offered were daily priced.

The Trustees considered the balance between different kinds of investments and offered a "do it yourself" fund range to members covering all major asset classes.

Prior to the transition to the Master Trust, the Trustees made no changes to the investment manager arrangements over the period.

The Scheme's DC investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustees promptly about any significant updates or events they become aware of with regard to the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustees were comfortable with all of their investment manager arrangements over the year.

Financially material considerations and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

4 Voting and engagement

Industry wide / public policy engagement:

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement on behalf of its clients (including the Trustees). This public policy and market best practice engagement is done with legislators, regulators and industry bodies to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to Hermes EOS via the Client Advisory Council. Engagement activities by Hermes EOS on public policy over the year included:

- Participation in a series of meetings with the UK Government's Department for Business, Energy and Industrial Strategy in order to help set out the UK's decarbonization roadmap and steps to achieve agreed climate targets;
- Co-signing of an investor letter to the Brazilian government in support of the Amazon Soy Moratorium, an agreement which aims to limit damage and deforestation caused by soy production, supporting expansion only on existing agricultural land;
- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. EOS is among over 370 investors with over $35tn under management who have signed up to the initiative. Further, they are leading or co-leading the engagement on 27 companies and collaborating with other investors on another 14 companies as part of this initiative.

The Fiduciary Manager also engaged in a number of industry wide initiatives and collaborative engagements including being:

- A Tier 1 signatory of the UK Stewardship Code;
- A signatory of the Principles for Responsible Investment and active member of their working group for ESG / Sustainable Development Goals in Strategic Asset Allocations;
- A member of the Institutional Investors Group on Climate Change;
- A founder of the Coalition for Climate Resilient Investment (with the World Economic Forum.

For the DC Section, this is covered under the previous section of this Statement.

DB Trustee's engagement policy

The Trustees have delegated day to day ESG integration and stewardship activities (including voting and engagement) to its investment managers.

The majority of the Scheme's assets were held within the Fiduciary Manager's pooled equity vehicle. The Fiduciary Manager delegates voting rights and the execution of those rights to the underlying managers for the securities they hold. The Fiduciary Manager has also appointed EOS to provide voting advice to the asset managers and to engage with the companies on their behalf, or in collaboration with them.

The remainder of the equity holdings are invested with an active manager in a China Equity Fund and pooled investment vehicles for REITs and Listed Infrastructure. The Fiduciary Manager rates these managers positively with respect to their ESG integration and engagement.

Corporate engagement and asset stewardship is a key part of the investment process for the active manager in Chinese Equity. The managers long-term investment horizon, approach of investing in companies with strong governance structures and history and experience of investing in Asian and emerging markets, including China, supports that they are well-equipped to engage with company management with a view to improving outcomes. In terms of voting, the Chinese Equity Manager's policy is publicly disclosed annually, and it is positive that all votes are exercised where feasible. Please refer to appendix 1 for details of the managers voting policies with regard to proxy voting.

The Scheme invests in Real Estate Investment Trusts (REITs) and Listed infrastructure through pooled investment vehicles, managed on a passive basis relative to a defined index by Manager C. The voting entitlements in these funds lie with the Manager. The Fiduciary Manager's view is that the manager leads its peers in terms of proactivity and taking visible stances on topics they believe to be important. However, the Fiduciary Manager continues to engage with the manager on areas for development, namely around resourcing, and improving the breadth and depth of corporate engagements. During the year, the Fiduciary Manager rated the manager positively for ESG integration, voting and engagement. The Manager's voting policy can be seen in appendix 1.

Trustees' voting and engagement policy for the DC Section

The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries. The Trustees have limited influence over managers' stewardship practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate. Before appointing a new investment manager, the Trustees also consider these aspects. However, the Trustees have not made any changes to their investment manager arrangements over the period.

The table on the following pages sets out the voting activities of the Scheme's equity investment managers, including any votes cast on the Trustees' behalf and detail on the Scheme's investment manager use of proxy voting and examples of votes cast that they deem to be significant. For some of the Scheme's underlying investment strategies, such as fixed income whereby these holdings do not have voting rights attached or property, where voting is not applicable as the strategy will bring with it a high level of ownership and control, these have been excluded. During the Scheme year the Scheme held the following equity funds:

- Manager A – Developed Global Equities
- Manager B – Chinese Equities
- Manager C – Listed Infrastructure

- Manager C – REIT
- Pyrford Global Total Return Fund
- Newton Real Return Fund
- LGIM Global Equity (50:50) Index Fund

Further information on the voting and engagement activities of the managers is provided below:

Manager and fund	Portfolio structure	Voting activity
Manager A - Developed Global Equities	Fund of funds	Number of meetings at which the manager was eligible to vote: 157 Number of resolutions on which manager was eligible to vote: 2304 Percentage of eligible votes cast: 100% Percentage of votes with management: 89.3% Percentage of votes against management: 10.5% Percentage of votes abstained from: 0.2% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 58% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.1%
Manager B – Chinese Equities	Pooled Investment Vehicle	Number of meetings at which the manager was eligible to vote: 28 Number of resolutions on which manager was eligible to vote: 186 Percentage of eligible votes cast: 100% Percentage of votes with management: 97.8% Percentage of votes against management: 2.2% Percentage of votes abstained from: 0.0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 3.6% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 7.5%
Manager C – Listed Infrastructure (31 March 2020 latest available)	Pooled Investment Vehicle	Number of meetings at which the manager was eligible to vote: 79 Number of resolutions on which manager was eligible to vote: 974 Percentage of eligible votes cast: 99.6% Percentage of votes with management: 86.4% Percentage of votes against management: 13.4% Percentage of votes abstained from: 0.2% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 69.6% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.6%

Manager C – REITs (31 March 2020 latest available)	Pooled Investment Vehicle	Number of meetings at which the manager was eligible to vote: 87 Number of resolutions on which manager was eligible to vote: 858 Percentage of eligible votes cast: 98.4% Percentage of votes with management: 85.3% Percentage of votes against management: 14.7% Percentage of votes abstained from: 0.0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 54.0% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.4%
Newton Real Return Fund	Pooled Investment Vehicle	Number of meetings at which the manager was eligible to vote: 75 Number of resolutions on which manager was eligible to vote: 1115 Percentage of eligible votes cast: 98.3% Percentage of votes with management: 84.9% Percentage of votes against management: 15.1% Percentage of votes abstained from: 0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 41% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 9.9%
Pyrford Global Total Return Fund	Pooled Investment Vehicle	Number of meetings at which the manager was eligible to vote: 55 Number of resolutions on which manager was eligible to vote: 860 Percentage of eligible votes cast: 92.4% Percentage of votes with management: 94.6% Percentage of votes against management: 5.4% Percentage of votes abstained from: 0.0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 52.7% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 3.4%
LGIM Global (50:50) Equity Index Fund	Pooled Investment Vehicle	Number of meetings at which the manager was eligible to vote: 3019 Number of resolutions on which manager was eligible to vote: 38,463 Percentage of eligible votes cast: 99.9% Percentage of votes with management: 83.5% Percentage of votes against management: 16.4% Percentage of votes abstained from: 0.1% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management 69.2% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 11.4%

In addition, the equity managers have reported on the most significant votes cast within the underlying funds managed on behalf of the Scheme, including reasons from the underlying managers why the votes identified were considered significant, the rationale for the voting decision and the outcome of the vote.

For the DC Section, votes on holdings of less than 1% have been excluded from the table below. This data is available upon request.

Coverage in portfolio	Size of holdings	Most significant votes cast	
Manager A - Developed Global Equities	0.1%	**Company:**	Raytheon
		Resolution	Approve merger agreement
		Decision/Vote	For
		Rationale for decision	We supported it because it diversified both companies across two different cycles - civil aerospace and defence - which increased the resilience of the combined Group.
		Rationale for classifying as significant	Merger
Manager A - Developed Global Equities	0.1%	**Company:**	Bayer
		Resolution	Approve Discharge of Management Board for Fiscal 2018
		Decision/Vote	Against
		Rationale for decision	The management board misjudged the legal and reputational risks of the Monsanto acquisition, including the fact that two California juries have found that one of Monsanto's most important products is cancer-causing.
		Rationale for classifying as significant	Headline risk: the Monsanto trials have been heavily covered by media around the world.
Manager A - Developed Global Equities	0.1%	**Company:**	Citigroup Inc.
		Resolution	Reduce Ownership Threshold for Shareholders to Call Special Meeting
		Decision/Vote	For
		Rationale for decision	The reduction to a 15 percent threshold to call a special meeting would improve shareholder rights. Our proxy voting policies explicitly support such measures at a 10% threshold. We also believe that lower thresholds may be appropriate for large companies as abuse is less likely.
		Rationale for classifying as significant	We believe it was significant given the size of the holding (as a percentage of the Fund) and the outcome of the vote. The vote was non-binding and we believe our support likely had an influence on the company ultimately adopting this shareholder-friendly change.
Manager A - Developed Global Equities	0.1%	**Company:**	Cigna Corporation
		Resolution	Report on Gender Pay Gap
		Decision/Vote	For
		Rationale for decision	We believe the disclosures requested would be very low cost to for the company to produce and that shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives, with significant benefits for the company related to employee and customer satisfaction as it would demonstrate that the company took the concerns seriously.
		Rationale for classifying as significant	We believe it was significant both given the size of the holding (as a percentage of the Fund) and our engagement efforts.
Manager A - Developed Global Equities	0.1%	**Company:**	Cigna Corporation
		Resolution	Provide Right to Act by Written Consent
		Decision/Vote	For
		Rationale for decision	It would provide shareholders with a meaningful written consent right and a means to act between annual meetings. Our proxy voting policies support the right to act by written consent.
		Rationale for classifying as significant	We believe it was significant both given the size of the holding (as a percentage of the Fund) and our engagement efforts.
Manager A - Developed Global Equities	0.1%	**Company:**	Novo Nordisk
		Resolution	Say on Pay
		Decision/Vote	For
		Rationale for decision	Compensation deemed fair

		Rationale for classifying as significant	We consider executive compensation structures a key factor in determining management strength and sound governance practices.
Manager A - Developed Global Equities	0.1%	**Company:**	Visa
		Resolution	Say on Pay
		Decision/Vote	For
		Rationale for decision	Compensation deemed fair
		Rationale for classifying as significant	We consider executive compensation structures a key factor in determining management strength and sound governance practices.
Manager A - Developed Global Equities	0.1%	**Company:**	Amazon
		Resolution	Say on Pay
		Decision/Vote	For
		Rationale for decision	Compensation deemed fair
		Rationale for classifying as significant	We consider executive compensation structures a key factor in determining management strength and sound governance practices.
Manager A - Developed Global Equities	0.1%	**Company:**	Alphabet Inc.
		Resolution	Establish Environmental/Social Issue Board Committee
		Decision/Vote	For
		Rationale for decision	A vote FOR this proposal is warranted because the existing board structure does not appear to provide adequate oversight on potential risks that the company's existing and emerging technologies present to the company's stakeholders, which, in turn, creates risks for the company in terms of employee retention, regulatory backlash, and reputational damage with users and advertisers.
		Rationale for classifying as significant	Corporate Governance/Business Practices
Manager A - Developed Global Equities	0.1%	**Company:**	Alphabet Inc.
		Resolution	Assess Feasibility of Including Sustainability as a Performance Measure for Senior Executive Compensation
		Decision/Vote	For
		Rationale for decision	A vote FOR this proposal is warranted because Alphabet's compensation program lacks performance-based pay elements, and the adoption of this proposal may promote a more strongly performance-based pay program for executives.
		Rationale for classifying as significant	Corporate Governance
Manager B – Chinese Equities	0.1%	**Company:**	Lenovo Group Ltd.
		Resolution	Authority to Issue Shares w/o Pre-emptive Rights; Authority to Issue Repurchased Shares
		Decision/Vote	Against
		Rationale for decision	Potentially large dilution – rights issue for all shareholders would be preferred if large fund-raising is required.
		Rationale for classifying as significant	Against management
Manager B – Chinese Equities	0.1%	**Company:**	Haier Smart Home
		Resolution	Amendments to the Company's articles of association; Amendments to the rules of procedure governing shareholders general meetings
		Decision/Vote	Against
		Rationale for decision	Shortened notice period; not ideal to change the notice period before AGM from 45 days to 20 days
		Rationale for classifying as significant	Against management
Manager B – Chinese Equities	0.1%	**Company:**	Huayu Automotive
		Resolution	Elect Zhuang Jingxiong
		Decision/Vote	For

		Rationale for decision	It is more important to ensure sufficient independence for the board of directors compared to supervisors.
		Rationale for classifying as significant	Against provider recommendations
Manager B – Chinese Equities	0.1%	**Company:**	China Telecom
		Resolution	Elect LIU Guiqing
		Decision/Vote	For
		Rationale for decision	It is a bit unfair to count a former representative of BlackRock (which owns 1.4%) as a non-independent board member.
		Rationale for classifying as significant	Vote against provider recommendations
Manager B – Chinese Equities	0.1%	**Company:**	Great Wall Motor
		Resolution	Appraisal Measures for Implementation of 2019 Restricted Share and Share Option Incentive Scheme
		Decision/Vote	For
		Rationale for decision	Equity-linked incentives help improve alignment with minority interests. KPIs such as sales volume and profit have also been announced.
		Rationale for classifying as significant	Vote against provider recommendations
Manager B – Chinese Equities	0.1%	**Company:**	Shanghai International Airport
		Resolution	Election of Supervisor
		Decision/Vote	For
		Rationale for decision	Supervisor committee of SIA has 5 members. 3 are nominated by the parent group and 2 are elected from employees. The structure is fine (at least 1/3 of supervisors should come from employees).
		Rationale for classifying as significant	Vote against provider recommendations
Newton Real Return Fund	1.2%	**Company:**	Microsoft Corporation
		Resolution	Advisory Vote to Ratify Named Executive Officers' Compensation, Elect Board Directors (members of the compensation committee), Ratify PricewaterhouseCoopers LLP as Auditors and Shareholder Proposal to report on Gender Pay Gap
		Decision/Vote	Against management proposals and for the shareholder proposal
		Rationale for decision	Despite improvements to executive remuneration practices over recent years, the company failed to justify a 40% increase in total compensation for the CEO, which included a significant increase in basic salary. In addition, Newton remained concerned that approximately half of long-term pay awards vest irrespective of performance. Newton voted against the executive compensation arrangements and against the three members of the compensation committee. Newton also voted against the re-appointment of the company's external auditor given it had served in this role for 36 consecutive years. A shareholder resolution proposed that the company report on its gender pay gap. In contrast to the recommendation of management, Newton supported this resolution in view of the insights a company can benefit from by undertaking such an exercise.
		Rationale for classifying as significant	Newton expects more shareholders will increase their scrutiny of pay versus performance and reflect this in their voting decisions; as such, shareholder dissent may increase and result in unnecessary media attention that can foster both financial and reputational issues.

Pyrford Global Total Return Fund	1.5%	**Company:**	Vodafone Group Plc
		Resolution	Approve Remuneration Report - Advisory Vote to Ratify Named Executive Officers' Compensation
		Decision/Vote	Against Management
		Rationale for decision	1) The number of shares awarded in June 2019 under the LTIP is significantly higher than in FY2018/19 following a material fall in share price; and (2) The threshold level of vesting is more than 100% of salary for the CEO which represents c. GBP 1.1 million
		Rationale for classifying as significant	The Manager believes that all proxy votes are important and aim to vote all ballots received on behalf of our clients. All proxy votes are reviewed by our ESG Forum on a quarterly basis. Those deemed to be “significant” are where we believe the outcome could have a meaningful impact on shareholder returns over our five-year investment horizon. These could include management and board appointments and compensation, decisions affecting capital structure as well as company responses to social, environmental or competitive pressures. This rationale is consistent across all the voting data provided by Pyrford.
Pyrford Global Total Return Fund	2.1%	**Company:**	British American Tobacco Plc
		Resolution	Advisory Vote to Ratify Named Executive Officers' Compensation - Approve Remuneration Report
		Decision/Vote	Against Management
		Rationale for decision	CEO Jack Bowles was granted a 9.5% salary increase for FY2020. - From FY2020, the new CFO's LTIP award has been increased to 400% of salary, up from 350% of salary previously (albeit on a lower salary rate than his predecessor).
		Rationale for classifying as significant	Please see above.
Pyrford Global Total Return Fund	1.3%	**Company:**	Woodside Petroleum Ltd
		Resolution	Report on Climate Change - Approve Paris Goals and Targets
		Decision/Vote	Against Management
		Rationale for decision	The company's current level of disclosure regarding its capital expenditure strategy and GHG emissions do not appear to align with Paris goals under reasonable assumptions.
		Rationale for classifying as significant	Please see above.
Pyrford Global Total Return Fund	2.3%	**Company:**	GlaxoSmithKline
		Resolution	Approve Remuneration Policy
		Decision/Vote	Against Management
		Rationale for decision	The incumbent US-based Executive Director's pension arrangements subsist at a level significantly higher than that of the wider workforce, and there is no disclosed plan towards alignment over time.
		Rationale for classifying as significant	Please see above.
Pyrford Global Total Return Fund	1.2%	**Company:**	Telenor ASA
		Resolution	Approve Remuneration Policy and Other Terms of Employment For Executive Management (Binding)
		Decision/Vote	Against Management
		Rationale for decision	A vote against the proposal under Item 9b is warranted because the long-term incentivizing effects of the long-term incentive plan are questionable.
		Rationale for classifying as significant	Please see above.
LGIM Global (50:50)	N/A	**Company:**	Barclays

Equity Index Fund		**Resolution**	Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change Resolution 30 - Approve ShareAction Requisitioned Resolution
		Decision/Vote	For both resolutions
		Rationale for decision	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.
		Rationale for classifying as significant	Since the beginning of the year there has been significant client interest in LGIM's voting intentions and engagement activities in relation to the 2020 Barclays AGM. LGIM consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.
LGIM Global (50:50) Equity Index Fund	N/A	**Company:**	Amazon
		Resolution	Shareholder resolutions 5 to 16
		Decision/Vote	Of 12 shareholder proposals, LGIM voted to support 10. LGIM looked into the individual merits of each individual proposal, and there are two main areas which drove their decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).
		Rationale for decision	In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for LGIM's engagements leading up to the proxy vote. LGIM's team has had multiple engagements with Amazon over the past 12 months. The topics of their engagements touched most aspects of ESG, with an emphasis on social topics: • Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings • Environment: Details about the data transparency committed to in their 'Climate Pledge' • Social: Establishment of workplace culture, employee health and safety The allegations from current and former employees are worrying. LGIM discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired.

		Rationale for classifying as significant	The market attention was significant leading up to the AGM, with: • 12 shareholder proposals on the table – the largest number of any major US company this proxy season • Diverse investor coalitions submitting and rallying behind the proposals, including global, different types of investors and first time co-filers/engagers • Substantial press coverage – with largely negative sentiment related to the company's governance profile and its initial management of COVID-19 • Multiple state treasurers speaking out and even holding an online targeted pre-annual meeting investor forum entitled 'Workplace & Investor Risks in Amazon.com, Inc.'s COVID-19 Response' Anecdotally, the Stewardship team received more inquires related to Amazon than any other company this season.
LGIM Global (50:50) Equity Index Fund	N/A	**Company:**	ExxonMobil
		Resolution	Resolution 1.10 - Elect Director Darren W. Woods
		Decision/Vote	Against
		Rationale for decision	In June 2019, under their annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, LGIM announced that we will be removing ExxonMobil from their Future World fund range and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, they also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, LGIM's voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.
		Rationale for classifying as significant	LGIM voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.
LGIM Global (50:50) Equity Index Fund	N/A	**Company:**	Lagardère
		Resolution	Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardère, as well as to remove all the incumbent directors (apart from two 2019 appointments).
		Decision/Vote	LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardère SB directors (resolutions B,C,E,F,G).
		Rationale for decision	Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7% share capital and 11% voting rights. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where they were able to speak to the proposed new SB Chair, and also Lagardère, where we spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.

		Rationale for classifying as significant	LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.

Appendix 1 – voting policies

Manager A voting policy is provided below

Our underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. For the Towers Watson Global Equity Focus Fund, we also use EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. Our underlying managers are ultimately responsible for the votes.

Manager B voting policy is provided below

"[We use] Glass Lewis as proxy voting service vendor to process votes on resolutions of investment companies in their shareholders' meetings. The service platform allows us to source voting ballots from multiple custodians, provide voting research papers with detailed analysis and recommendations it also allows us to submit voting decisions in an efficient centralised manner. It also possesses a reporting function on voting data in various formats which is helpful in reporting to our client."

Manager C voting policy is provided below:

"Policy on consulting clients:

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Process for deciding how to vote:

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Use of proxy voting services:

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action."

Newton's voting policy is provided below:

Policy on consulting clients:

Where Newton plans to vote against management on an issue, it often engages with the company in order to provide an opportunity for their concerns to be allayed. In such situations, it would not be a surprise should Newton vote against. Newton only communicates its voting intentions ahead of the meeting direct to the company and not to third parties. Newton does alert a company regarding an action it had taken at their annual general meeting (AGM) through an email, to explain its thought process. It then often holds a call with the board/investor relations teams to gain a better understanding of the situation and communicate further. This can often be in tandem with the sponsoring global industry analyst.

Overall, Newton prefer to retain discretion in relation to exercising its clients' voting rights and has established policies and procedures to ensure the exercise of global voting rights. It believes the value of clients' portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Newton's understanding of a company's fundamental business enables it to assess the appropriate balance between the strict application of corporate governance policies and taking into account a company's unique situation.

Process for deciding how to vote:

The head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. Newton does not maintain a strict proxy voting policy. Instead, it prefers to take into account a company's individual circumstances, their investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices.

Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, Newton may confer with the company or other interested parties for further clarification or to reach a compromise or to achieve a commitment from the company.

Voting decisions are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). All voting decisions are made by Newton. It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence. It is also only in these circumstances when Newton may register an abstention given their stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures it does not provide confusing messages to companies.

Newton employs a variety of research providers that aid it in the vote decision-making process, including proxy advisors such as ISS. Voting decisions take into account local market best practice, rules and regulations while also supporting Newton's investment rationale.

Use of proxy voting services:

Newton utilises ISS for the purpose of administering proxy voting (notification and lodgement of votes), as well as its research reports on individual company meetings. Only in the event where it recognises a potential material conflict of interest do Newton follow the voting recommendations of ISS.

Newton does not maintain a rigid voting policy with any proxy voting service provider.

Pyrford's voting policy is provided below:

Policy on consulting clients:

For investors within the Fund, all votes are carried out in line with our bespoke proxy voting policy. Pyrford does not consult with clients prior to voting however they are always happy to hear the client's views on upcoming votes.
Process for deciding how to vote:

Pyrford's policy is to consider every resolution individually and to cast a proxy on each issue with the sole criterion for reaching these voting decisions being the best interests of the client. This is part of its broader fiduciary responsibility to its clients.

Policy on proxy services:

Pyrford has appointed ISS Proxy Voting Services to monitor meetings data and to produce a voting schedule based upon individual client proxy voting guidelines, or the Manager's guidelines where a client does not provide their own. While we consider ISS to be providing us a 'proxy adviser' service, the Fund's portfolio managers have the final authority to decide on how votes are cast in line with the relevant guidelines.

LGIM's voting policy is provided below:

Policy on consulting clients:

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

Process for deciding how to vote:

All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Policy on proxy services:

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment Policy document which is reviewed annually.

LGIM use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment our own research and proprietary environmental, social and governance (ESG) assessment tools.

To ensure ISS votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice. In 2020, LGIM updated their global corporate governance and responsible investment policy documents, which sets out minimum standards for governance across all companies.

Investment performance

The estimated performance (after fees) for the Defined Benefit Section's total assets for the periods ended 30 June 2020 is shown below:

Return	**1 year (%)**	**3 years (% p.a.)**
Total assets	13.03	8.92
Composite benchmark index	12.98	9.78

Contributions to the Defined Contribution Section ceased from 30 November 2019 and on 11 June 2020 all members, funds from this section were transferred to the Aviva MasterTrust arrangement.

Custodial arrangements

As part of the Fiduciary agreement, the Trustees have appointed the custodian as detailed in the list of Scheme advisers on pages 1 to 2 as custodian of the Scheme's assets managed by the 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.

The Trustees are responsible for ensuring the Scheme's assets continue to be securely held. They review the custodial arrangements from time to time.

Approved by the Trustees on 20 January 2021

Signed on behalf of the Trustees

G Dent	Trustee
A Sarney	Trustee

Chair's DC Governance Statement, covering 1 July 2019 to 30 June 2020

1. Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustees of the McCain Foods (GB) Limited & Pension Life Assurance Scheme (the "Scheme") are required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met in relation to:

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

Over the Scheme year a new DC pension arrangement in the Aviva Master Trust was put in place for the DC Section of the Scheme. From 1 December 2019 member contributions were paid into the Aviva Master Trust and the DC Section assets were then subsequently transferred over on 11 June 2020. As such, this Statement refers to the investment arrangements and core financial transactions up until this date.

2. Default arrangements

The Scheme was used as a Qualifying Scheme for automatic enrolment purposes until 1 December 2019. This means that it was used as a pension savings scheme for employees who are eligible for automatic enrolment into a pension scheme.

The Trustees made available a range of investment options for members. Members who joined the Scheme and who did not choose an investment option were placed into the Lifecycle Fund, (the "Default"). The Trustees recognise that most members do not make active investment decisions and instead invest in the Default. After taking advice, the Trustees decided to make the Default a lifestyle strategy, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date.

The Trustees are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangement.

Details of the objectives and the Trustees' policies regarding the default arrangement can be found in a document called the 'Statement of Investment Principles' ("SIP"). The Scheme's SIP covering the default arrangement is attached to this document.

The aims and objectives of the default arrangement, as stated in the SIP, are as follows

- the default investment option is a lifecycle;
- this lifecycle has been designed to be in the best interests of the majority of the members based on the demographics of the DC Section's membership; and
- it automatically changes the allocation as members approach their selected retirement age in order to reduce the different investment risks.

The Default is reviewed at least every three years and was last reviewed on 11 December 2019.

The performance and strategy of the Default were reviewed to ensure that investment returns (after deduction of any charges) have been consistent with the aims and objectives of the funds used in the Default as stated in the SIP, and to check that it continues to be suitable and appropriate given the Scheme's risk profiles and membership.

At the time of this Default review, it had been decided that the Scheme would move to the Aviva Master Trust. As such, any recommendations in the Default review would only be implemented should this not proceed.

In addition to the strategy review the Trustees also reviewed the performance of the default arrangement against their objectives on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. The Trustees' review that took place during the Scheme year concluded that the default arrangement was performing broadly as expected.

3. Requirements for processing core financial transactions

The processing of core financial transactions is carried out by the administrators of the DC Section of the Scheme, McCain Limited (GB) ("DC administrator") and ReAssure (formerly Old Mutual Wealth), the investment-only platform and for the AVC Section, Prudential. Core financial transactions include (but are not limited to): the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

The Trustees have received assurance from McCain Limited (GB) that there are adequate internal controls to ensure that core financial transactions for the Scheme are processed promptly and accurately.

The Scheme has a service level agreement ("SLA") in place with the DC administrator which covers the accuracy and timeliness of all core financial transactions. In terms of the targets for the SLAs, the DC administrators target replying or processing all actions within 10 working days of receipt. The average number of days for all work relating to both the DC and DB Sections of the Scheme is 3.9 days over the year. If considering this for just DC (as well as including all DC and DB address changes), the average is 5.1 days.

The key processes adopted by the DC administrator to help it meet the SLA are as follows:

- Bank account monitored daily;
- Contributions processed by one team member and checked by another.
- Two Trustee signatures or one Trustee and one authorised signatory are required to complete DC investment.
- On receipt of the completed investment contract note, the prices are input into profund by one team member and checked by a separate team member.
- All payments are set up by one team member, checked by a separate team member and authorised by an authorised team member. The team members who authorise payments, do not have access to set up payments. These team members are not able to authorise payments. A DC investment spreadsheet is updated after each investment, disinvestment or switch of funds.
- After checking, the paperwork is passed to one of three authorisers to authorise the payment to be released.

The Scheme also has Additional Voluntary Contributions ('AVCs') which are held with Prudential. Prudential is responsible for processing the core financial transactions for the AVCs and ensuring there are adequate internal controls in place so that core financial transactions relating to the Scheme are processed promptly and accurately. The Trustees have requested this information from Prudential. However, this information was not available for inclusion in this Statement. The Trustees will continue to liaise with Prudential to obtain this information.

Based on its review processes, the Trustees are satisfied that over the period covered by this Statement.

- the administrator was operating appropriate procedures, checks and controls, and operating within the agreed SLA;
- there have been no material administration issues in relation to processing core financial transactions; and
- core financial transactions on the whole have been processed promptly and accurately to an acceptable level during the Scheme year.

4. Member-borne charges and transaction costs

The Trustees are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (TER). The TER is paid by the members and is reflected in the unit price of the funds.

The stated charges exclude any costs, eg administration and investment costs, since these are not met by the members.

The Trustees are also required to separately disclose transaction cost figures. In the context of this Statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by ReAssure who is the Scheme's investment-only platform provider. When preparing this section of the Statement the Trustees have taken account of the relevant statutory guidance.

Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustees have shown any negative figure as zero.

Default arrangements

The Default arrangement is the Lifecycle Fund. The Default has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement age and in which funds they are invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

Default arrangement charges and transaction costs

Years to target retirement date	TER	Transaction costs
10or more years to retirement	0.54% pa	0.08%
5 years to retirement	0.35% pa	0.05%
At retirement	0.16% pa	0.02%

Self-select options

In addition to the default arrangement, members also have the option to invest in several other self-select funds.

The level of charges for each self-select fund (including those used in the Default) and the transaction costs over the period covered by this Statement are set out in the following table. The underlying funds used within the Default are shown in **bold**.

Self-select fund charges and transaction costs

Manager – Fund name	TER	Transaction costs
McCain Growth Fund	**0.54%**	**0.08%**
McCain Annuity Fund	**0.15%**	**0.03%**
McCain World Shares Fund	0.18%	0.00%
McCain Sharia World Shares Fund	0.40%	0.04%
McCain UK Shares Fund	0.15%	0.00%
McCain Emerging Market Shares Fund	0.45%	0.02%
McCain Diversified Growth Fund	0.90%	0.17%
McCain Corporate Bond Fund	0.16%	0.00%
McCain Fixed Interest Government Bond Fund	0.15%	0.02%
McCain Index-Linked Government Bond Fund	0.15%	0.07%
McCain Cash Fund	**0.18%**	**0.00%**

Additional Voluntary Contributions

The charges levied by Prudential on members' benefits cover both investment management and administration, unlike in the DC Section, where the cost of administration is met by the Company. The Trustees have requested the TER and transaction costs from Prudential. However, this information was not available for inclusion in this Statement. The Trustees will continue to liaise with Prudential to obtain this information.

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, the Trustees have had regard to the relevant statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past two years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past two years as this is the longest period over which figures were available, and should be more indicative of longer-term costs compared to only using figures over the Scheme year.
- The illustration is shown for the Default, the Lifecycle Fund, since this is the arrangement with most members invested in it, as well as four funds from the Scheme's self-select fund range. The four self-select funds shown in the illustration are:
    - the fund with the highest before costs expected return – this is the McCain Emerging Markets Shares Fund
    - the fund with the lowest before costs expected return – this is the McCain Cash Fund
    - the fund with highest annual member borne costs – this is the McCain Diversified Growth Fund
    - the fund with lowest annual member borne costs – this is the McCain Fixed-interest Government Bond Fund

Projected pension pot in today's money

	Lifecycle Fund		McCain Emerging Markets Shares Fund		McCain Cash Fund		McCain Diversified Growth Fund		McCain Fixed Interest Government Bond Fund	
Years invested	**Before costs**	**After costs**	**Before costs**	**After costs**	**Before costs**	**After costs**	**Before costs**	**After costs**	**Before costs**	**After costs**
1	£8,500	£8,400	£8,600	£8,600	£8,100	£8,100	£8,400	£8,300	£8,100	£8,100
3	£8,800	£8,700	£9,400	£9,200	£7,700	£7,600	£6,800	£8,300	£7,800	£7,800
5	£9,200	£8,900	£10,100	£9,900	£7,300	£7,200	£8,800	£8,400	£7,500	£7,500
10	£10,200	£9,600	£12,400	£11,800	£6,400	£6,300	£9,400	£8,400	£6,900	£6,700
15	£11,300	£10,300	£15,200	£14,200	£5,600	£5,400	£9,900	£8,500	£6,200	£6,100
20	£12,600	£11,100	£18,500	£16,900	£4,900	£4,700	£10,500	£8,500	£5,700	£5,500
25	£14,000	£12,000	£22,700	£20,200	£4,300	£4,100	£11,200	£8,600	£5,100	£4,900
30	£15,500	£12,900	£27,700	£24,100	£3,800	£3,600	£11,900	£8,600	£4,700	£4,400
35	£16,200	£13,100	£33,900	£28,800	£3,300	£3,100	£12,600	£8,700	£4,200	£4,000
40	£15,200	£12,200	£41,400	£34,500	£2,900	£2,700	£13,400	£8,800	£3,900	£3,600

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual inflation is assumed to be 2.5%.
- No member contributions are included in this illustration as from 1 December 2019 all remaining members in the Scheme were deferred members.
- The starting pot size used is £8,300. This is the approximate median pot size for active members, rounded to the nearest £100.
- The projection is for 40 years, being the approximate duration that a member aged 25 has until they reach the Scheme's Normal Pension age of 65.
- The projected annual returns used are as follows:
    - Default option: 2.1% above inflation for the initial years, gradually reducing to a return of 2.2% below inflation at retirement.
    - McCain Emerging Markets Shares Fund: 4.1% above inflation
    - McCain Cash Fund: 2.6% below inflation
    - McCain Diversified Growth Fund: 1.2% above inflation
    - McCain Fixed-interest Government Bond Fund: 1.9% below inflation
- No allowance for active management outperformance has been made.

5. Value for members assessment

The Trustees are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. There is no legal definition of 'good value' which means that determining this is subjective. The general policy of the Trustees in relation to value for member considerations is set out below.

The Trustees review all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The Trustees note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustees' investment advisers have confirmed that the fund charges are competitive for the types of funds available to members.

The Trustees' assessment included a review of the performance of the Scheme's investment funds (after all charges and transaction costs) in the context of their investment objectives. In considering value for members, the Trustees have commented on the following criteria as suggested by the Pensions Regulator:

- **Charges borne by members** – members only pay for the investment arrangements for the DC Section. The Trustees' investment advisers have confirmed that the fund charges are not the most competitive for the types of funds available to members, given the size of the DC Section of the Scheme. However, the members have now been moved to a Master Trust and this is no longer an issue.

  The Trustees had their investment advisers undertake a review of the Scheme's AVC arrangement in September 2019. This review concluded that members were receiving reasonable value for the charges they pay.

- **Administration services** – members do not pay for administration services. However, as detailed in the earlier section covering processing of financial transactions, the Trustees are comfortable with the quality and efficiency of the administration processes.

- **Communications** – the Trustees issued member communications relating to the move to the Master Trust arrangement and members' leaver's statements, which were issued in a timely fashion.

- **Governance** – the Trustees spend a proportionate amount of time discussing the DC Section ensuring the Scheme is compliant with relevant legislation, such as the charge cap, and holding regular meetings to monitor the Scheme and address any material issues that may impact members.

- **Investment arrangements** – the Scheme offered a range of investment options covering a range of markets and risk exposures. The fund options are all clearly labelled for members. The Trustees' assessment also included a review of the performance of the Scheme's investment funds (after all charges) in the context of their investment objectives. The returns on the investment funds members can choose during the period covered by this Statement have been consistent with their stated investment objectives. The Trustees reviewed the design of the default arrangement and how this reflects the membership as a whole in November 2019 and have since moved the DC Section to the Aviva Master Trust.

In carrying out the assessment, the Trustees also consider the other benefits members receive from the Scheme, which include:

- the oversight and governance of the Trustees, including ensuring the Scheme is compliant with relevant legislation, and holding regular meetings to monitor the Scheme and address any material issues that may impact members;
- the design of the default arrangement and how this reflects the interests of the membership as a whole;
- the range of investment options;
- the quality of communications delivered to members;
- the quality of support services; and
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards

As detailed in the earlier section covering the processing of core financial transactions, the Trustees are comfortable with the quality and efficiency of the administration processes.

The Trustees believe the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches and expect this to lead to greater investment returns net of costs over time.

Overall, the Trustees believe that members of the Scheme are receiving good value for money for the charges and cost that they incur, for the reasons set out in this section. However, the Trustees aimed to improve value for members in future by transferring DC Section to the Aviva Master Trust.

6. Trustee knowledge and understanding

The Scheme's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustees have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The Trustees, with the help of their advisers, regularly consider training requirements to identify any knowledge gaps. The Trustees' investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustees' advisers would typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this Statement, the Trustees received training on the following topics:

- Requirements arising from the CMA Review;
- Incorporating sustainability beliefs into SIP; and
- Cyber Security

All the Trustees are familiar with the Scheme's governing documentation and documentation setting out the Trustees' policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, the Trustees refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and the SIP is formally reviewed annually and as part of making any change to the Scheme's investments. Further, the Trustees believe they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

All the Trustees are required to commit to completing the training, either at the relevant meetings or by personal study. All the Trustees have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law). Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year.

Over the Scheme year the Trustees undertook a Trustee Knowledge and Understanding gap analysis in June 2020 to identify any gaps in the Trustees' knowledge as a collective group. The Trustees also undertook an effectiveness review in October 2019.

New Trustees also meet with the Chairman who provides an introduction to the Scheme including recent history, current ongoing business and key Scheme documents. A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date.

A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date.

Considering the knowledge and experience of the Trustees and the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (eg investment consultants, legal advisors), the Trustees believes they are well placed to exercise their functions as Trustees of the Scheme properly and effectively.

G Dent Date: 20 January 2021

Signed by the Chair of Trustees of the McCain Foods (GB) Limited Pension and Life Assurance Scheme

Statement of Trustees' Responsibilities

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

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

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

The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

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

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

Independent Auditors' Report to the Trustees of the McCain Foods (GB) Limited Pension and Life Assurance Scheme

Report on the audit of the financial statements

Opinion

In our opinion, McCain Foods (GB) Limited Pension and Life Assurance Scheme's financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 30 June 2020, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included in the Annual Report, which comprise: the statement of net assets available for benefits as at 30 June 2020; the fund account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Scheme's ability to continue as a going concern.

Reporting on other information

The other information comprises all the information in the Annual Report other than the financial statements, our auditors' report thereon and our auditors' statement about contributions. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for ensuring that the financial statements are prepared in accordance with the applicable framework and for being satisfied that they show a true and fair view. The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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.

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

Use of this report

This report, including the opinion, has been prepared for and only for the Trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
Date: 20 January 2021

Fund Account

	Note	Defined Benefit Section £	Defined Contribution Section £	2020 Total £	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Employer contributions		**12,939,675**	**1,516,627**	**14,456,302**	13,489,086	3,435,787	16,924,873
Employee contributions		**392,202**	**16,771**	**408,973**	379,197	20,456	399,653
Total contributions	4	**13,331,877**	**1,533,398**	**14,865,275**	13,868,283	3,456,243	17,324,526
Transfers in	5	**-**	**127,657**	**127,657**	-	225,787	225,787
Other income	6	**173,816**	**-**	**173,816**	411,543	-	411,543
		13,505,693	**1,661,055**	**15,166,748**	14,279,826	3,682,030	17,961,856
Benefits paid or payable	7	**(9,491,212)**	**(75,601)**	**(9,566,813)**	(8,522,791)	(100,161)	(8,622,952)
Payments to and on account of leavers	8	**(450,053)**	**(259,394)**	**(709,447)**	(790,713)	(131,443)	(922,156)
Group transfers out	9	**-**	**(15,652,549)**	**(15,652,549)**	-	-	-
Administrative expenses	10	**(381,105)**	**-**	**(381,105)**	(291,727)	-	(291,727)
		(10,322,370)	**(15,987,544)**	**(26,309,914)**	(9,605,231)	(231,604)	(9,836,835)
Net additions/ (withdrawals) from dealings with members		**3,183,323**	**(14,326,489)**	**(11,143,166)**	4,674,595	3,450,426	8,125,021
Returns on investments							
Investment income	11	**22,787,586**	**-**	**22,787,586**	13,287,341	-	13,287,341
Change in market value of investments	12	**27,763,450**	**(122,239)**	**27,641,211**	17,155,062	724,706	17,879,768
Investment management expenses	13	**(699,760)**	**-**	**(699,760)**	(358,969)	-	(358,969)
Net returns on investments		**49,851,276**	**(122,239)**	**49,729,037**	30,083,434	724,706	30,808,140
Net increase/ (decrease) in the fund during the year		**53,034,599**	**(14,448,728)**	**38,585,871**	34,758,029	4,175,132	38,933,161
Transfers between sections		**34,459**	**(34,459)**	**-**	-	-	-
Net assets at 1 July		**314,636,001**	**14,483,187**	**329,119,188**	279,877,972	10,308,055	290,186,027
Net assets at 30 June		**367,705,059**	**-**	**367,705,059**	314,636,001	14,483,187	329,119,188

The notes on pages 36 to 47 form part of these financial statements.

Statement of Net Assets available for benefits

	Note	**Defined Benefit Section £**	**Defined Contribution Section £**	**2020 Total £**	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Investment assets							
Pooled investment vehicles	15	**364,083,444**	**-**	**364,083,444**	310,523,995	14,190,252	324,714,247
AVC investments	16	**3,865,874**	**-**	**3,865,874**	4,191,379	-	4,191,379
Total investments	12	**367,949,318**	**-**	**367,949,318**	314,715,374	14,190,252	328,905,626
Current assets	21	**204,246**	**28,121**	**232,367**	424,022	292,935	716,957
Current liabilities	22	**(448,505)**	**(28,121)**	**(476,626)**	(503,395)	-	(503,395)
Net assets at 30 June		**367,705,059**	**-**	**367,705,059**	314,636,001	14,483,187	329,119,188

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the Defined Benefit Section, is dealt with in the report on actuarial liabilities on page 4 of the annual report and these financial statements should be read in conjunction with this report.

The notes on pages 36 to 47 form part of these financial statements.

The financial statements on pages 34 to 47 were approved by the Trustees on 20 January 2021

Signed on behalf of the Trustees

G Dent Trustee

A Sarney Trustee

1. Identification of the financial statements

The Scheme is established as a trust under English law.

The Scheme was established to provide retirement benefits to certain groups of employees of McCain Foods (GB) Limited. The address of the Scheme's principal office is Havers Hill, Scarborough, North Yorkshire, YO11 3BS.

The Scheme was a hybrid scheme, comprising a Defined Benefit Section and a Defined Contribution Section. The Defined Benefit Section is no longer open to new entrants but existing members continue to build up pensions. The Defined Contribution Section closed during the year and all members and assets were transferred to the Aviva MasterTrust arrangement with effect from 11 June 2020. The Scheme thus became a defined benefit scheme from that date.

2. Basis of preparation

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

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

3. Accounting policies

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

3.1 Accruals concept

The financial statements have been prepared on an accruals basis.

3.2 Currency

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

Assets and liabilities in foreign currencies are expressed in Sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into Sterling at the rate ruling at the date of the transaction.

Gains and losses arising on translation are accounted for in the change of market value of investments during the year.

3.3 Contributions

Employee contributions, including additional voluntary contributions (AVCs), are accounted for by the Trustees when they are deducted from pay by the Employer, except for the first contribution due where the employee has been auto-enrolled by the Employer, in which case it is accounted for when received by the Scheme.

Employer normal and salary sacrifice (including AVC salary sacrifice) contributions are accounted for in the period to which they relate in accordance with the Schedule of Contributions.

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

Employer deficit funding contributions are accounted for in the period to which they relate, in accordance with the Schedule of Contributions, or on receipt if earlier, with the agreement of the employer and Trustees.

3.4 Transfers

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

Group transfers in or out are accounted for in accordance with the terms of the transfer agreement or on an accruals basis when the receiving scheme accepts the transfer of the liability.

3.5 Other income

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

3.6 Payments to members

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

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

3.7 Administrative and other expenses

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

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

Indirect transaction costs are bourne by the Scheme in relation to transactions within the pooled investment vehicles it holds. Such costs are taken into account in calculating the bid/offer spread of these investments and so are not broken down in this report.

3.8 Investment income

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

Fee rebates are accounted for in the period in which they fall due on an accruals basis.

Income from cash and short term deposits is accounted for on an accruals basis.

3.9 Change in market value of investments

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

3.10 Valuation of investments

Investments are included at fair value as follows:

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

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 provider.

3.11 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Trustees do not consider there to be any critical accounting judgements or estimation uncertainty within the financial statements.

4. Contributions

	Defined Benefit Section £	Defined Contribution Section £	2020 Total £	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Employer contributions:						
Normal	**3,385,490**	**971,478**	**4,356,968**	3,624,166	2,207,320	5,831,486
Salary sacrifice	**2,214,018**	**545,149**	**2,759,167**	2,418,594	1,228,467	3,647,061
AVCs (salary sacrifice)	**335,107**	**-**	**335,107**	419,356	-	419,356
Deficit funding	**7,000,000**	**-**	**7,000,000**	7,000,000	-	7,000,000
Augmentations	**5,060**	**-**	**5,060**	26,970	-	26,970
	12,939,675	**1,516,627**	**14,456,302**	13,489,086	3,435,787	16,924,873
Employee contributions:						
Normal	**200,472**	**16,771**	**217,243**	175,974	20,456	196,430
AVCs	**191,730**	**-**	**191,730**	203,223	-	203,223
	392,202	**16,771**	**408,973**	379,197	20,456	399,653
	13,331,877	**1,533,398**	**14,865,275**	13,868,283	3,456,243	17,324,526

McCain operates a Salary Sacrifice arrangement (known as Pension Smart), by which certain Members' normal and additional voluntary contributions are met by the Employer.

In accordance with the Schedule of Contributions certified by the Scheme Actuary on 29 March 2018, the Employer paid deficit contributions of £7m in each of the years ended 30 June 2019 and 30 June 2020. In addition, in subsequent years the Employer will pay £7m p.a. on or before 31 July each year until 2027.

5. Transfers in

	Defined Benefit Section £	Defined Contribution Section £	2020 Total £	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Individual transfers in from other schemes	**-**	**127,657**	**127,657**	-	225,787	225,787

6. Other income

	Defined Benefit Section £	Defined Contribution Section £	2020 Total £	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Claims on term insurance policies	**173,364**	**-**	**173,364**	411,543	-	411,543
Interest on cash deposits held by the Trustees	**452**	**-**	**452**	-	-	-
	173,816	**-**	**173,816**	411,543	-	411,543

7. Benefits paid or payable

	Defined Benefit Section £	**Defined Contribution Section £**	**2020 Total £**	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Pensions	**6,336,734**	**-**	**6,336,734**	5,975,682	-	5,975,682
Commutation of pensions and lump sum retirement benefits	**2,606,188**	**70,608**	**2,676,796**	1,940,097	84,519	2,024,616
Lump sum death benefits	**494,318**	**4,993**	**499,311**	447,228	15,642	462,870
Taxation where lifetime or annual allowance exceeded	**53,972**	**-**	**53,972**	159,784	-	159,784
	9,491,212	**75,601**	**9,566,813**	8,522,791	100,161	8,622,952

8. Payments to and on account of leavers

	Defined Benefit Section £	**Defined Contribution Section £**	**2020 Total £**	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Group transfers to other schemes	**-**	**28,121**	**28,121**	-	-	-
Individual transfers out to other schemes	**450,053**	**231,273**	**681,326**	790,713	131,443	922,156
	450,053	**259,394**	**709,447**	790,713	131,443	922,156

9. Group transfers out

During the year, the Defined Contribution members' accrued accounts, amounting to £15,652,549, were disinvested and transferred to the Aviva MasterTrust arrangement.

10. Administrative expenses

	Defined Benefit Section £	**Defined Contribution Section £**	**2020 Total £**	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Pension consultancy fees	**47,144**	**-**	**47,144**	39,196	-	39,196
Actuarial fees	**153,016**	**-**	**153,016**	76,171	-	76,171
Audit fees	**10,847**	**-**	**10,847**	26,100	-	26,100
Legal fees	**26,865**	**-**	**26,865**	3,665	-	3,665
Printing and communication expenses	**2,857**	**-**	**2,857**	14,733	-	14,733
Bank charges paid	**1,210**	**-**	**1,210**	1,888	-	1,888
Accountancy fees	**12,000**	**-**	**12,000**	6,450	-	6,450
Computer system and processing	**32,474**	**-**	**32,474**	18,036	-	18,036
Recharge of pension administration department	**94,692**	**-**	**94,692**	105,488	-	105,488
	381,105	**-**	**381,105**	291,727	-	291,727

The employer meets the cost of the PPF levy, the premium on term insurance, Trustees' expenses and part of the cost of the employees involved in the administration of the Scheme. The Trustees agreed with the employer that from July 2016 the Scheme would bear 80% of the salary costs of the employees involved in Scheme administration.

11. Investment income

	Defined Benefit Section £	**Defined Contribution Section £**	**2020 Total £**	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Income from pooled investment vehicles	**22,759,075**	**-**	**22,759,075**	13,261,447	-	13,261,447
Interest on cash deposits	**7,108**	**-**	**7,108**	-	-	-
Fee rebates	**21,403**	**-**	**21,403**	25,894	-	25,894
	22,787,586	**-**	**22,787,586**	13,287,341	-	13,287,341

12. Reconciliation of investments

Defined Benefit Section

	Market value at 1 July 2019 £	Cost of investments purchased £	Proceeds of sales of investments £	Change in market value £	**Market value at 30 June 2020 £**
Pooled investment vehicles	310,523,995	212,133,015	(186,301,296)	27,727,730	**364,083,444**
AVC investments	4,191,379	552,035	(913,260)	35,720	**3,865,874**
	314,715,374	212,685,050	(187,214,556)	27,763,450	**367,949,318**

Defined Contribution Section

	Market value at 1 July 2019 £	Cost of investments purchased £	Proceeds of sales of investments £	Change in market value £	**Market value at 30 June 2020 £**
Pooled investment vehicles	14,190,252	1,938,343	(16,006,356)	(122,239)	**-**

12.1 Transaction costs

Indirect transaction 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 Scheme.

12.2 Defined contribution assets

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

	2020 £	2019 £
Allocated to members	**-**	14,190,252
Not allocated to members	**-**	-
	-	14,190,252

13. Investment management expenses

	Defined Benefit Section £	Defined Contribution Section £	2020 Total £	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Administration, management and custody fees	**699,760**	**-**	**699,760**	358,969	-	358,969

14. Taxation

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

15. Pooled investment vehicles

	Defined Benefit Section £	Defined Contribution Section £	2020 Total £	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Equities	**89,957,393**	**-**	**89,957,393**	71,125,555	454,391	71,579,946
Bonds	**27,157,849**	**-**	**27,157,849**	38,201,913	68,886	38,270,799
Diversified growth	**75,794,671**	**-**	**75,794,671**	60,295,064	12,750,145	73,045,209
Infrastructure and property	**25,249,580**	**-**	**25,249,580**	28,538,644	-	28,538,644
Liability driven investment	**104,757,184**	**-**	**104,757,184**	82,987,667	-	82,987,667
Cash	**41,166,767**	**-**	**41,166,767**	29,375,152	916,830	30,291,982
	364,083,444	**-**	**364,083,444**	310,523,995	14,190,252	324,714,247

The companies managing the pooled investments are registered in the United Kingdom.

16. AVC investments

The Trustees hold assets which are separately invested from the main fund in the form of individual policies of assurance. These secure additional benefits, on a money purchase basis, for those members who have elected to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to 30 June each year, confirming the amounts held to their account and the movements during the year.

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

	Defined Benefit Section £	Defined Contribution Section £	2020 Total £	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Prudential Assurance Company Limited	**3,865,874**	**-**	**3,865,874**	4,191,379	-	4,191,379

17. Fair value determination

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

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

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

	2020 Level 1 £	**2020 Level 2 £**	**2020 Level 3 £**	**2020 Total £**
Defined Benefit Section				
Pooled investment vehicles	**-**	**364,083,444**	**-**	**364,083,444**
AVC investments	**-**	**3,865,874**	**-**	**3,865,874**
	-	**367,949,318**	**-**	**367,949,318**
Defined Contribution Section				
Pooled investment vehicles	**-**	**-**	**-**	**-**
	-	**367,949,318**	**-**	**367,949,318**

Analysis for the prior year end is as follows:

	2019 Level 1 £	2019 Level 2 £	2019 Level 3 £	2019 Total £
Defined Benefit Section				
Pooled investment vehicles	-	310,523,995	-	310,523,995
AVC investments	-	4,191,379	-	4,191,379
	-	314,715,374	-	314,715,374
Defined Contribution Section				
Pooled investment vehicles	-	14,190,252	-	14,190,252
	-	14,190,252	-	14,190,252
	-	328,905,626	-	328,905,626

18. Investment risks

When deciding how to invest the Scheme's assets, the Trustees consider a wide range of risks, including credit risk and market risk. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Market risk comprises currency risk, interest rate risk and other price risk, defined as follows:

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

The Trustees determined both the DB and DC sections' investment strategies after taking advice from its DC Section investment adviser, LCP, and fiduciary manager for the DB Section, Willis Towers Watson (WTW). The Sections have exposure to the above risks due to the investments held to implement the investment strategies. The Trustees manage investment risks, including credit risk and market risk, considering both sections' investment objectives and strategies, and the advice of its investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the appointment documents and investment management agreements in place with each of the sections' investment managers and Fiduciary Management Agreement with WTW for the DB Section.

The Trustees monitor the performance of the strategies and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

Further information on these risks and the Trustees' approach to risk management within their invested assets is set out below. We have not included the Scheme's bank balance in the total asset values. The table below outlines the exposure of the pooled investment vehicles in which the DB and DC Sections invest, to various types of risks. The risk noted affects the fund significantly [▲], partially [▴] or hardly not at all [△].

DB Section

Fund	**Direct credit risk**	**Indirect credit risk**	**Currency risk**	**Interest rate risk**	**Other price risk**	**2020 value (£m)**	**2019 value (£m)**
L&G Infrastructure equities (hedged)	▲	△	△	△	▲	**13.5**	13.7
L&G Global prime property	▲	△	△	△	▲	**11.7**	14.9
Robeco Global corporate bonds	▲	▲	△	▲	▴	**5.6**	5.3
WTW Global equities	▲	△	▴	△	▲	**85.1**	71.2
WTW Diversifying strategies	▲	△	▲	△	▲	**75.8**	60.3
WTW Secure Income Fund	▲	▴	△	▴	▲	**16.8**	16.4
State Street Emerging market debt	▲	▲	△	▲	▴	**-**	11.4
L&G Global High Yield	▲	▲	△	▲	▴	**4.8**	4.9
First State Stewart Asia China A Share Equity	▲	▲	▲	▲	▴	**4.9**	-
State Street Cash	▲	▲	▴	▴	△	**34.5**	8.2
Insight LDI and Cash	▲	▲	△	▲	▴	**111.4**	104.2
Total						**364.1**	**310.5**

Note: Over the year the DB Section's investment risks are broadly the same.

18. Investment risk - continued

DC Section

Fund	**Credit risk**	**Currency risk**	**Interest risk**	**Other price risk**	**2020 value (£)**	**2019 value (£)**
McCain Corporate Bond Fund	▲	△	▲	▴	-	18,945
McCain Fixed Interest Government Bond Fund	△	△	▲	△	-	24,510
McCain Index-Linked Government Bond Fund	△	△	▲	△	-	25,431
McCain Cash Fund	▲	△	△	△	-	209,107
McCain World Shares Fund	△	▴	△	▲	-	227,243
McCain UK Shares Fund	△	△	△	▲	-	79,135
McCain Emerging Markets Shares Fund	△	▴	△	▲	-	93,664
McCain Sharia World Shares Fund	△	▴	△	▲	-	54,348
McCain Growth Fund	▴	▴	▴	▴	-	2,682,230
McCain Annuity Fund	▲	△	▲	△	-	707,723
Growth Fund	▴	▴	▴	▴	-	67,916
Total					**-**	**4,190,252**

In June 2020, all DC Section members' accrued accounts were disinvested and transferred to the Aviva MasterTrust arrangement.

Credit risk

The DB Section invests in pooled funds and is therefore directly exposed to credit risk in relation to the solvency of the investment manager and custodian of those funds. Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled funds being ring-fenced from the investment managers, the regulatory environments in which the pooled fund managers operate and diversification of the Scheme's investments across a number of pooled funds and the Fiduciary Manager carrying out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitoring any changes to the operating environment of the pooled manager.

A summary of the legal structure of the pooled investment vehicles held by the Scheme is shown below:

Legal structure	**Funds**	**2020 value (£m)**	**2019 value (£m)**
SICAV	Robeco Global corporate bonds L&G Global High Yield	10.4	10.2
ICAV	Insight LDI	104.8	83.0
QIAIF	WTW Global equities WTW Diversifying strategies WTW Secure Income Fund	177.6	148.1
Unit Linked Insurance Contracts	L&G Infrastructure equities (hedged) L&G Global prime property	25.2	28.5
ICVC	First State Stewart Asia China A Share Equity	4.9	-
UCITs	State Street Cash Insight Cash	41.2	40.7
Total		**364.1**	**310.5**

There are specific limits in the Fiduciary Management Agreement with WTW on maximum allocations to pooled vehicles excluding in-house Fund for the DB Section:

- A maximum of 25% of assets in any fund investing primarily in cash, investment grade bonds and liability hedging instruments

- A maximum of 20% of assets in any other collective investment schemes.

For the avoidance of doubt, where a collective investment scheme is a unit linked insurance fund or operates as an umbrella fund with sub-funds or similar, these limits will apply at the sub-fund level.

For the DB section, the Trustees expect WTW as the fiduciary manager of the Scheme to carry out due diligence checks before the appointment of any new investment manager or fund, and to monitor for changes to the operating environment of any existing pooled funds.

18. Investment risk - continued

The DB Section is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in bonds. This indirect credit risk arising on bonds within a pooled investment vehicle is mitigated by investing predominantly in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The Scheme also invests in non-investment grade bond pooled investment vehicles within the DB Section, such as high yield bonds, but the size of the allocations to these are limited by the Fiduciary Management Agreement. The managers of these pooled funds manage credit risk by having a diversified exposure to bond issuers and geographies and through conducting thorough research on the probability of default of those issuers.

The magnitude of credit risk within each fund will vary over time, as the manager changes the underlying investments in line with its views on markets, asset classes and specific bonds.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). The Scheme holds pooled investment vehicles within the DB Section that invest in Government bonds, OTC derivative contracts (e.g. repurchase agreements, interest rate and inflation swaps) and cash. These funds fulfil a specific purpose in the Scheme's investment strategy, which is to match the characteristics of the Scheme's liabilities (Liability Driven Investments – LDI). These investments are also discussed under interest rate risk.

OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by the LDI manager ensuring there is sufficient collateral arrangements in place and diversification of counterparties. Cash is held within financial institutions which are predominantly investment grade credit rated.

The Fiduciary Manager is not permitted to participate in any securities lending on behalf of the Scheme except where lending takes place inside a pooled fund or through repurchase agreements as discussed above.

Market risk

Currency risk

All of the Scheme's pooled funds are accessed via a Sterling share class except for a portion of the WTW Diversifying Strategies Fund within the DB Section, which is accessed via a Dollar share class.

While the majority of the currency exposure of the Scheme's assets is to Sterling, the Scheme is subject to indirect currency risk because some of the Scheme's investments are held in overseas markets.

The Trustees have considered the overseas currency exposure in the context of their overall investment strategies, and believe that the currency exposure that exists diversifies the strategies and is appropriate.

Interest rate risk

The Scheme is subject to interest rate risk through its credit holdings and on the Liability Driven Investments (LDI). The purpose of the DB Section's LDI investments is to match the interest rate (and inflation) sensitivity of the Scheme's liabilities. Therefore when considering the Scheme's liabilities, these investments are risk reducing.

The Scheme's other return-seeking assets, such as diversified growth funds, may also have some sensitivity to changing interest rates, but this sensitivity will vary over time as the underlying investments change, and it is not expected to be a significant driver of returns due to the investment approach of these funds.

Other price risk

The Scheme's assets are directly exposed to risks of market prices other than currencies and interest rates, e.g. the pooled equity holdings are subject to movements in equity prices. A large proportion of the Scheme's assets are subject to other price risk.

The Trustees, together with WTW as the fiduciary manager, monitor this risk for the DB Section on a regular basis, looking at the performance of the Scheme as a whole as well as each individual fund. The Trustees believe that the Scheme's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

The exposure to other price risk within the diversified growth funds will vary over time depending on how the manager changes the underlying asset allocation.

19. Concentration of investments

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

	2020		2019	
	£	**%**	£	%
Towers Watson Global Equity Focus Fund GBP Hedged Z units	**85,059,968**	**23.1**	71,125,555	21.6
Towers Watson Diversifying Strategies USD Z Shares Unhedged	**55,924,320**	**15.2**	32,185,304	9.8
WTW Fiduciary Leveraged Long Fixed Fund	**42,451,444**	**11.5**	27,521,634	8.4
SSGA GBP Liquidity LVNAV Fund	**34,549,174**	**9.4**	N/A	N/A
WTW Fiduciary Leveraged Short Real Fund	**32,001,909**	**8.7**	31,834,270	9.7
WTW Fiduciary Leveraged Long Real FX Hedging Fund	**26,035,495**	**7.1**	N/A	N/A
Towers Watson Diversifying Strategies GBP Z Shares Hedged	**19,870,351**	**5.4**	28,109,760	8.5
ILF GBP Liquidity Fund	**N/A**	**N/A**	21,177,799	6.4
WTW Fiduciary Leveraged Long Real Fund	**N/A**	**N/A**	21,112,657	6.4
Towers Watson Secure Income Fund Sterling Z units	**N/A**	**N/A**	16,648,629	5.1

20. Employer-related investments

There were no employer-related investments as at 30 June 2020 (2019: none).

21. Current assets

	Defined Benefit Section £	**Defined Contribution Section £**	**2020 Total £**	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Contributions due from the employer in respect of:						
- Employer	**-**	**-**	**-**	24,678	242,480	267,158
- Employees	**-**	**-**	**-**	9,184	-	9,184
Claims on term insurance polices	**-**	**-**	**-**	123,051	-	123,051
AVC maturity values receivable	**-**	**-**	**-**	56,368	-	56,368
Cash deposits held	**204,246**	**28,121**	**232,367**	210,741	50,455	261,196
	204,246	**28,121**	**232,367**	424,022	292,935	716,957

22. Current liabilities

	Defined Benefit Section £	**Defined Contribution Section £**	**2020 Total £**	Defined Benefit Section £	Defined Contribution Section £	2019 Total £
Contributions received in advance						
- employer	**134,450**	**-**	**134,450**	52,796	-	52,796
Pensions payable	**577**	**-**	**577**	-	-	-
Lump sums on retirement payable	**187,394**	**-**	**187,394**	246,074	-	246,074
Death benefits payable	**16,154**	**-**	**16,154**	123,164	-	123,164
Refunds of contributions payable	**-**	**-**	**-**	2,305	-	2,305
Taxation payable	**59,431**	**-**	**59,431**	54,557	-	54,557
Group transfer out payable	**-**	**28,121**	**28,121**	-	-	-
Administrative expenses payable	**33,500**	**-**	**33,500**	24,499	-	24,499
Investment management expenses payable	**16,999**	**-**	**16,999**	-	-	-
	448,505	**28,121**	**476,626**	503,395	-	503,395

23. Related party transactions

Transactions with the Principal Employer

Group life assurance policies are secured with Aviva. The cost of the group life premium is paid by McCain Foods (GB) Limited and amounted to £292,287 in the year to 30 June 2020 (2019: £264,471). The employer meets the costs of the levy which amounted to £364,211 in the year to 30 June 2020 (2019: £243,167). The employer also pays Trustees' expenses which amounted to £262 in the year to 30 June 2020 (2019: £2,420) and 20% of the salary costs of the employees involved in the administration of the Scheme.

Transaction with key management personnel

Pensions are paid from the Scheme to 3 Trustees (2019: 3). They are G Dent, D James and G Stott.

Four other Trustees are employed by McCain Foods (GB) Limited (A Bennett, I Pennock, A Sarney and D Shackley). A Bennett is married to a former McCain employee, who is also a pensioner member of the Scheme.

24. Contractual commitments and contingent liabilities

In October 2018, the High Court determined that benefits provided to members who had contracted out of the state second pension must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 between men and women. In November 2020, a further ruling by the High Court determined that transfers out of a scheme in respect of members who had contracted out of the state second pension must also be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 between men and women. The Trustees are now reviewing, with its advisers, the implication of this ruling on the Scheme. As soon as this review is finalised and any liability quantified, a communication will be issued to affected members.

The Trustees are not aware of any other contractual commitments or contingent liabilities.

Independent Auditors' Statement about Contributions to the Trustees of the McCain Foods (GB) Limited Pension and Life Assurance Scheme

Statement about contributions

Opinion

In our opinion, the contributions payable under the Schedule of Contributions for the Scheme year ended 30 June 2020 as reported in McCain Foods (GB) Limited Pension and Life Assurance Scheme's Summary of Contributions have, in all material respects, been paid in accordance with the Schedule of Contributions certified by the Scheme Actuary on 29 March 2018.

We have examined McCain Foods (GB) Limited Pension and Life Assurance Scheme's Summary of Contributions for the Scheme year ended 30 June 2020 which is set out on the following page.

Basis for opinion

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 in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme under the Schedule of Contributions and the timing of those payments.

Responsibilities for the statement about contributions

Responsibilities of the Trustees in respect of contributions

As explained more fully in the Statement of Trustees' Responsibilities, the Scheme's Trustees are 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 Scheme by employers in accordance with relevant requirements.

Auditors' responsibilities in respect of the statement about contributions

It is our responsibility to provide a statement about contributions and to report our opinion to you.

Use of this report

This report, including the opinion, has been prepared for and only for the Trustees as a body in accordance with section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
Date: 20 January 2021

Summary of Contributions

During the year ended 30 June 2020, the contributions payable to the Scheme by the Employer were as follows:

	Defined Benefit Section £	Defined Contribution Section £	**2020 Total £**
Contributions payable under the Schedule of Contributions:			
Employer contributions:			
Normal	3,385,490	-	**3,385,490**
Salary sacrifice	2,214,018	-	**2,214,018**
Deficit funding	7,000,000	-	**7,000,000**
	12,599,508	-	**12,599,508**
Employee contributions:			
Normal	200,472	-	**200,472**
Contributions payable under the Schedule of Contributions (as reported on by the Scheme Auditors)	12,799,980	-	**12,799,980**
Other contributions:			
Employer normal	-	971,478	**971,478**
Employer salary sacrifice	-	545,149	**545,149**
Employer AVCs (salary sacrifice)	335,107	-	**335,107**
Employer augmentations	5,060	-	**5,060**
Employee normal	-	16,771	**16,771**
Employee AVCs	191,730	-	**191,730**
Total contributions reported in the financial statements	13,331,877	1,533,398	**14,865,275**

Approved by the Trustees on 20 January 2021

Signed on behalf of the Trustees

G Dent Trustee

A Sarney Trustee

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Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: McCain Foods (GB) Limited Pension & Life Assurance Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 30 June 2017 to be met by the end of the period specified in the recovery plan dated 20 March 2018.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 20 March 2018.

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

Signature: .... **Date:** 29 March 2018

Name: Stephen J Davies **Qualification:** FIA

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

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Notes not forming part of the certification

Qualification where actuarial opinion is not given as at signature date

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 20 March 2018 and their Recovery Plan dated 20 March 2018 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the Schedule of Contributions.

**STATEMENT OF INVESTMENT PRINCIPLES FOR THE
McCAIN FOODS (GB) LIMITED PENSION & LIFE ASSURANCE SCHEME
September 2019**

Introduction

This Statement of Investment Principles ("SIP") has been drawn up by the Trustees of the McCain Foods (GB) Limited Pension & Life Assurance Scheme (the "Scheme") to comply with section 35 (as amended) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

In preparing this SIP the Trustees consulted with McCain Foods (GB) Limited ("the Sponsor") and considered written investment advice from Lane Clark & Peacock LLP ("LCP") (in respect of the DC Section only) and Willis Towers Watson (in respect of the DB Section only). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustees.

The Trustees review this SIP every three years, or earlier if there is a significant change in investment policy.

The Scheme has defined benefit and defined contribution sections.

DEFINED BENEFIT SECTION

Investment objectives

The Trustees' objectives for the DB section are that:

- the Scheme should be able to meet benefit payments as they fall due;
- the Scheme's funding position (i.e. the value of its assets relative to the assessed value of its liabilities) aims to be fully-funded on a self-sufficiency basis (liabilities gilts basis) by 2028; and
- the Scheme should continue to benefit from the long-term support of the Sponsor.

Investment strategy

The Trustees have received advice to determine an appropriate investment strategy for the Scheme. The Trustees have agreed to target a strategy that generates a return of gilts+2.6% per annum (net of fees). This, together with contributions from the Sponsor, is expected to achieve full-funding on a self-sufficiency basis by 2028 (the "Journey Plan").

The Trustees have appointed a Fiduciary Manager to manage the Scheme's assets on a discretionary basis and to provide advisory services to the Trustees (Willis Towers Watson, the "Fiduciary Manager"), with the objectives of maximising the probability of achieving the Journey Plan set by the Trustees. The Fiduciary Manager's discretion is subject to guidelines set by the Trustees.

Risk

Given the ongoing commitment of the Sponsor to the Scheme, the Trustees believe that a degree of investment risk can be taken with the objective of higher returns. The Trustees have a desire to diversify risk exposures and to manage its investments effectively, with close consideration of the Scheme's liabilities. In setting the appropriate level of investment risk the Trustees considered a number of risks involved in the investment of the Scheme's assets:

- Funding level and solvency risk
  - is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
  - is managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.
- Manager risk:
  - is measured by the expected deviation of the return relative to the benchmark set.
  - is managed by consideration of the appropriate amount of the Scheme to allocate to each active portfolio and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.

- Liquidity risk:
  - is measured by the level of cashflow required by the Scheme over a specified period.
  - is managed by the Scheme's pensions administration team and Fiduciary Manager assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.
- Currency risk:
  - is measured by the level of exposure to non-Sterling denominated assets.
  - is managed by the implementation of a currency hedging programme (with currency hedging being carried out by some of the Scheme's investment managers) which reduces the impact of exchange rate movements on the Scheme's asset value.
- Interest rate and inflation risks:
  - are measured by comparing the likely movement in the Scheme's liabilities and assets due to movements in inflation and interest rates.
  - are managed by holding a portfolio of matching assets (physical bonds and/or derivatives) that enable the Scheme's assets to better-match movements in the value of the liabilities due to inflation and interest rates.
- Political risk:
  - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
  - is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy.
- Sponsor risk:
  - is measured by receiving regular annual updates from the Sponsor and undertaking a detailed triennial covenant assessment.
  - is managed through an agreed contribution and funding schedule.
- Derivatives risk
  - Counterparty risk – this risk is mitigated through collateral management, diversifying exposure across counterparties, and the investment manager's use of robust ISDA, GMRA or other relevant derivatives documentation.
  - Basis risk – the returns from backing assets used to meet the payable leg of a derivative contract may not match exactly. This risk is addressed through the investment policy adopted for the backing assets and the investment managers' asset management capabilities.
  - Liability risk – pension liabilities can only be estimated and there is a risk of divergence between the performance of the derivatives and the actual value of the liabilities (for example, due to changes in assumptions or demographics). This risk is mitigated by updating the liability hedging benchmark at appropriate regular intervals.

Asset allocation

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including shares, fixed interest and index-linked bonds, cash and property, either directly or through pooled funds. It may also invest through pooled funds in alternative assets including commodities, infrastructure, hedge funds and private equity. It may also use derivatives and contracts for difference (either directly or through pooled funds) for the purpose of efficient portfolio management or to hedge specific risks.

The initial portfolio allocation (which delivered an expected return of gilts+2.6% pa based on 31 March 2018 asset return assumptions) together with the maximum allocation limit from the Fiduciary Manager's guidelines is set out below. The Fiduciary Manager will manage the portfolio on an ongoing basis, within the objectives and restrictions set out in the agreed investment guidelines.

Asset class	Initial allocation %	Maximum allocation %
Global shares	**24**	**40**
Real assets	**15**	**17**
- Global REITS	5	
- Listed infrastructure	4	
- Secure income assets	6	
Diversifying strategies	**21**	**25**
Alternative credit	**3**	**8**
- High yield	1	
- Loans	2	
Investment grade credit	**6**	**40**
- Global corporate credit	2	
- Sovereign	4	
Liability matching and cash	**31**	**80**
Total	**100**	

Note: numbers may not sum due to rounding.*Expected to provide a liability hedge ratio of 96% (as a % of assets) and 64% (as a % of liabilities).

The maximum total allocation to diversifying strategies, alternative credit and secure income assets is 35% of the portfolio. The Trustees have instructed the Fiduciary Manager not to invest in sub-investment grade bonds other than high yield debt and leveraged loans. They have also instructed the manager not to invest in assets other than the classes listed above.

The Fiduciary Manager will maintain exposure to sterling at between 50% and 100% of the value of the total portfolio. The Fiduciary Manager may use currency derivatives to do this.

In monitoring the performance of the Fiduciary Manager, the Trustees consider performance relative to liabilities and also against a secondary benchmark of delivering a return equivalent to 60% globally diversified equities (measured against the FTSE All World (local) index and 40% sterling denominated investment grade bonds (with a duration consistent with the UK market) (measured against the iBoxx GBP non-gilts index).

The Trustees hold all of the Scheme's assets in collective investment schemes or cash accounts. Investments in collective investment schemes are made by the Fiduciary Manager on behalf of the Trustees under power of attorney. The Fiduciary Manager has full discretion over the choice of managers and is expected to maintain diversified portfolios, subject to guidelines agreed with the Trustees. The Trustees are satisfied that these arrangements are consistent with the Scheme's objectives and risk management, particularly in terms of diversification, expected return and liquidity.

Investment manager arrangements

The Trustees have delegated decisions for individual manager appointments to the Fiduciary Manager. As at June 2019, the Scheme's assets were split between investment managers as follows:

Asset class	Current fund/ manager %	Type of holding
Global shares	Towers Watson Global Equity Focus Fund	Actively managed listed equity
Real assets		
- Global REITS	Legal & General Investment Management Heitman Global Prime Property Securities	Actively managed listed property company equities
- Listed infrastructure	Legal & General Investment Management Infrastructure Equity MFG Fund	Passively managed listed infrastructure companies
- Secure income assets	Towers Watson Secure Income Fund	Various approaches – actively managed
Diversifying strategies	Towers Watson Diversifying Strategies Fund	Various approaches – actively managed and smart beta
Alternative credit		
- High yield	Legal & General Investment Management Global High Yield Fund	Sub-investment grade corporate bonds – actively managed
Investment grade credit		
- Global corporate credit	Robeco Global Multi-factor Credits Fund	Investment grade bonds –smart beta
- Sovereign credit	State Street Multi-factor Premia Emerging Markets Bond Fund	Listed sovereign bonds – smart beta
Liability matching and cash	Insight Investments pooled leveraged liability driven investment funds, Insight ILF GBP liquidity Fund, State Street GBP liquidity Fund	Government bonds, derivatives and cash

The Fiduciary Manager receives a flat annual fee, which is fixed until October 2019 (increasing with inflation annually), covering the cost of its discretionary management and advisory services provided to the Trustees. The Fiduciary Manager invests in 'zero-fee' share classes for any In-House Funds used within the portfolio (eg global equities, diversifying strategies and secure income assets). The Scheme pays fees to the other underlying managers, including those within any In-House Funds, calculated as a percentage of assets under management, and to the global custodian (State Street).

Liquidity of holdings

Given the long-term nature of the Scheme's liabilities, the Trustees believe that they can to a certain extent take advantage of the premium which may be available for holding illiquid assets. However they will also need to draw down assets to pay pensions and other benefits and increasingly to invest in liability matching assets. Therefore they have agreed with the Fiduciary Manager that the following liquidity provisions will apply:

Time frame	% of total assets
Assets with at least 4 dealing dates per month*	Minimum 50
Realisable within 50 days	Minimum 65
Lock up greater than 3 years	Maximum 17

*including those with only 3 dealing dates in certain months

The initial portfolio has the following liquidity:

Dealing frequency	% of total assets	Asset classes
Daily	63	Liability matching and cash, global equity, global corporate credit, high yield, sovereign credit
Weekly	9	Global REITS, Listed infrastructure
Monthly	23	Loans, diversifying strategies
Annual (initial 5 year lock)	6	Secure income assets

Note: numbers may not sum due to rounding

Social, environmental and ethical factors

The Trustees have delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager and in turn to the Scheme's investment managers. However, the Trustees and Fiduciary Manager recognise that an investment's long-term financial success is influenced by a range of financially material factors including Environmental, Social and Governance (ESG) issues.

Consequently the Trustees (through the selection of the Fiduciary Manager and its associated approach to environmental, social and governance issues, as set out in the following two paragraphs below) seeks to be an active long-term investor. The Trustees' focus is explicitly on financially material factors. The Trustees' policy at this time is not to take into account non-financial matters.

The Fiduciary Manager has a dedicated Sustainable Investment resource and a network of subject matter experts. The consideration of ESG issues is fully embedded in the investment manager selection and portfolio management process, with oversight undertaken on an ongoing basis. Whilst noting there may be limitations for each investment manager and asset strategy, the Fiduciary Manager expects investment managers to have ESG processes that align with the investment risk and return characteristics of the strategy. Where an investment manager's processes are deemed insufficient by the Fiduciary Manager and the investment manager does not take steps to improve their approach, the investment manager's position in the portfolio may be reviewed and/or a decision may be taken not to proceed with an investment.

The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Fiduciary Manager takes into account in the assessment.

Exercise of voting rights

The Fiduciary Manager encourages and expects the Scheme's investment managers to sign up to local or other applicable Stewardship Codes, in-keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the Principles for Responsible Investment (PRI) and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager has appointed Hermes EOS to undertake public policy engagement on its behalf as well as company-level engagement and the provision of voting advice for the Scheme's equity investments.

Additional Voluntary Contributions ("AVCs")

The Trustees have selected Prudential Assurance Company Limited as the Scheme's AVC provider.

DEFINED CONTRIBUTION SECTION

Risk

The Trustees believe that there are a number of investment risks for DC section members, including risk of inadequate long-term returns, risk of deterioration in investment conditions near retirement, annuity conversion risk, risk of lack of diversification, risk of unsuitable investments, ESG risks and risk from excessive charges.

The Trustees believe that the range of investment arrangements they offer and the fees they have negotiated on the members' behalf mitigate much of these risks.

Investment objectives

The Trustees's primary objectives for the DC Section are to offer members a choice of two methods for investing their contributions to help manage risk, via: a default investment option which is a lifecycle; and an appropriate range of investment options reflecting the membership profile of the DC Section. They recognise that members may have differing investment needs and that these needs may change during a members' working life. They also recognise that members may have differing attitudes to risk.

<u>Lifecyle</u>

The Trustees offer a default lifecycle option, which invests in shares and other types of growth assets when a member is younger. This lifecyle has been designed to be in the best interests of the majority of the members based on the demographics of the DC Section's membership. It automatically changes the allocation as members approach their selected retirement age in order to reduce the different investment risks. It uses the blended Growth Fund, Annuity Fund and the Cash Fund (as described below).

<u>Do it yourself funds</u>

The Trustees also realise that no single option will be sufficient to manage the various risks and that some members may wish to choose their investments to fit in with their own personal financial plans and tolerance to risk. These members can choose to invest in up to nine different funds covering all major asset classes, namely: equities, bonds, cash and diversified growth funds.

Investment manager arrangements

In determining these investment arrangements for the DC Section the Trustees considered:

- the kinds of investments to be held together with how these are realised – funds covering all major asset classes (equities, bonds, cash and diversified growth funds) which are daily dealt pooled funds to ensure liquidity for members;
- the balance between different kinds of investments – offering a choice to members via the self-select fund range; and
- risks and expected return on investments – a range of asset classes with different risk and expected return profiles together with a lifecycle which manages risk for members based on their retirement date.

The Trustees offer the following funds to DC section members:

<u>Lifecycle fund</u>

More than 10 years before retirement

Fund name	Underlying funds
McCain Growth Fund	25% Pyrford Global Total Return Fund/ 25% Newton Real Return Fund/ 50% L&G Global Equity (50:50) Index

Within 10 years of retirement

The Trustees arrange for the members' accounts to switch gradually every 6 months so that after 10 years members' accounts are invested as follows:

Fund name	Underlying funds
75% McCain Annuity Fund and	25% L&G 6A Corporate Bond All-Stocks Index/ 25% L&G Over 15 Year Gilts Index/ 50% L&G Over 5 Year Index-linked Gilts Index
25% Cash Fund	L&G Cash Fund

Do it yourself funds

Fund name	Underlying funds	Benchmark index/ target
McCain World Shares Fund	L&G Global Equity (50:50) Index	50% FTSE All Share/ 50% overseas shares (as measured by sub-divisions of the FTSE World Index, divided 35% in Europe (excluding UK), 35% in North America, 17.5% in Japan and 12. 5% in Asia Pacific (excluding Japan)
McCain Sharia World Shares Fund	HSBC Amanah	Dow Jones Islamic Titans 100 Index
McCain UK Shares Fund	L&G UK Equity Index	FTSE All Share Index
McCain Emerging Markets Shares Fund	L&G World Emerging Markets Equity Index	Standard & Poor's/ IFC Investable Composite Global Emerging Markets Index
McCain Diversified Growth Fund	50% Pyrford Global Total Return Fund/ 50% Newton Real Return Fund	RPI +5% p.a. (Pyrford)/ 1 month LIBOR + 4% p.a. (Newton) (both before fees)
McCain Corporate Bond Fund	L&G 6A Corporate bond All-Stocks Index	iBoxx £ Non-Gilts (ex-BBB) Index
McCain Fixed-interest Government Bond Fund	L&G Over 15 Year Gilts Index	FTSE-A Government (Over 15 Year) Index
McCain Index-linked Government Bond Fund	L&G Over 5 Year Index-linked Gilts Index	FTSE A Index-linked (Over 5 Year) Index
McCain Cash Fund	L&G Cash Fund	7 day London Inter-bank rate

All managers receive fees calculated as a percentage of assets under management.

The Legal & General and HSBC funds are all invested on an index-tracking basis. The Pyrford and Newton funds are actively managed. They both seek to achieve capital returns above UK price inflation over the long term.

Financially material considerations and non-financial matters

The Trustees have considered how ESG and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds but expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations) as the managers consider appropriate. The Trustees seek to appoint managers that have appropriate skills and processes to do this.

The Trustees do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

Voting and engagement

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries. The Trustees have limited influence over managers' stewardship practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.